

[House Hearing, 108 Congress]
[From the U.S. Government Printing Office]

AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RELATED
AGENCIES APPROPRIATIONS FOR 2004

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS
FIRST SESSION

SUBCOMMITTEE ON AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG
ADMINISTRATION, AND RELATED AGENCIES
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WASHINGTON : 2003

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AGRICULTURE, RURAL DEVELOPMENT, FOOD AND DRUG ADMINISTRATION, AND
RELATED AGENCIES APPROPRIATIONS FOR 2004

Thursday, March 20, 2003.

FOOD, NUTRITION AND CONSUMER SERVICES

WITNESSES

ERIC M. BOST, UNDER SECRETARY
SUZANNE M. BIERMANN, DEPUTY UNDER SECRETARY FOR FOOD
ROBERTO SALAZAR, ADMINISTRATOR, FOOD AND NUTRITION SERVICE
ERIC HENTGES, PH.D., EXECUTIVE DIRECTOR, CENTER FOR NUTRITION POLICY
AND PROMOTION

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Mr. Bonilla. The subcommittee will come to order.

Considering the situation that we have going on now in Iraq, we have chosen to continue business as usual for most cases here on the Hill. In fact, a few minutes ago I was visiting with a Desert Storm veteran, who assured me that when the folks are doing their job overseas in situations like this, that as they talk amongst themselves in the field, they are hoping that back home that life is proceeding as usual and that, in fact, they are more energized to know that we are just doing what we need to do and continuing with our procedures as normal. So that is our intent today.

We also expect to be interrupted by some procedural votes and a couple of other matters on the House floor in about a little over half an hour, at which time we will take about a half-hour break and then return and continue our hearing. So those are just some logistical items that I wanted to go over before we began.

But I am delighted to have Eric Bost with us today, the Under Secretary for Food, Nutrition and Consumer Services, and his colleagues joining us for this hearing this morning.

This hearing marks our tenth, and final, oversight hearing on the fiscal year 2004 budget. Within that request, FNS funding totals over \$44 billion, which is nearly 60 percent of the total funding for this bill. So we are wrapping up hearings with a grand finale, when talking about all of the programs that fall under this dollar figure.

The programs we will be discussing today serve millions of people--29 million kids eating lunch at school, 26 million people served by the Food Stamp Program, almost half the infants in this country served through the WIC Program. Local food pantries are using bonus commodities to serve people who come to their doors. Both the influence of the programs, and the responsibility to run them, are immense.

We heard about some fraud cases and feeding programs from the Inspector General at her hearing last month, and that

certainly concerns us all. Waste has the same effect as fraud does, and that means it takes food out of the hands of some people that truly need it.

I know Mr. Bost has expended a lot of effort in this area, and he has our support in this area. This committee has funded program integrity studies for FNS in 2002 and 2003, and we would like to hear about those results. I see that program integrity also continues to be highlighted in your budget request for 2004.

We should also note that two of your major programs--the Child Nutrition Program and WIC--are being reauthorized this year. Although this committee will not be writing that legislation, we are certainly interested in its progress, and we will be watching it very closely. It is my understanding that this budget request assumes current services for the base Child Nutrition WIC Programs pending the reauthorization.

We are just delighted, again, that you are here this morning. Before we hear your opening remarks, Eric, I am going to yield to Ms. Kaptur for any opening remarks that she may have.

Ms. Kaptur. Thanks, Mr. Chairman. We want to welcome back Secretary Bost and all of your colleagues, and thank you for the important work that each of you does.

I also wanted to just say that, in some ways, your testimony today is a bit anticipatory, in that we really don't have a final budget resolution, and we are looking at the budget submission along with the request that you are making.

I must say that, as we begin today, in recognizing the extraordinary importance of what you do at a time especially of recession and growing need at our food banks across the country, and even our WIC sites, and I note the increases you have proposed in the WIC budget. Nonetheless, if we are going to be required to cut support for various programs, including in the Education and Workforce Committee, if only half of those came out of Child Nutrition, what we would see would be elimination of the School Breakfast Program for over two million children, elimination of school lunches for over a million children or we could see the elimination of the after-school snacks for a half-million children in tutoring and recreation programs, the elimination of the Summer Food Service Program or the elimination of lunches for over half a million pre-school children in Head Start and children in child care.

So I guess we are going to be very interested this morning in hearing from you how you view the future in terms of what may happen after a budget resolution is passed and the various committees up here are forced to make very difficult decisions. I, personally, do not support any of the cuts that I have just outlined, but I would expect that they might be possibilities, in view of what we are facing. So I look truly toward your testimony, Secretary Bost, and hope that you can present a rainbow future to me this morning and to the members of our committee.

Thank you so very much for being here.

Mr. Bost. Thank you.

Mr. Bonilla. Go right ahead, Eric.

Mr. Bost. Good morning, Mr. Chairman and members of the subcommittee. Thank you for this opportunity to present the Food, Nutrition and Consumer Services' budget request for fiscal year 2004.

With your permission, I would like to take this opportunity to introduce three important members of my team who are here with me today. Suzanne Biermann, who is the Deputy Under Secretary; Robert Salazar, who is the Administrator for the Food and Nutrition Service; and the newest member of our team, Dr. Eric Hentges, who is the Executive Director of the Center for Nutrition Policy and Promotion, and who has been with us for a little over a month.

You have my written testimony, and so I just want to speak briefly about some high-level aspects of my request, and then reserve the remainder of my time for questions.

The President's budget for fiscal year 2004 requests \$44.2 billion in new budget authority for the Department's nutrition assistance programs. The budget is a clear reflection of the administration's commitment to the nutrition safety net and the associated activities President Bush expects all of us to achieve. The budget is constructed for results, and the expectations are very clear.

In short, these expectations include access for eligible persons in the critical programs that we have responsibility for providing; improved program integrity; and addressing nutritional issues related to the problem of overweight and obesity in this country. With that in mind, I would like to highlight a couple of other issues:

Ensuring access in the Food Stamp Program. Food stamps, at \$27.7 billion, will serve an average of 21.6 million persons each month, including restoration of eligibility to many legal immigrants as provided for in the 2002 Farm Bill. The administration's budget continues the \$2 billion reserve appropriated last year.

The Child Nutrition Programs' request of \$11.4 billion, supports an increase in school lunch participation from 28 million children to over 29 million and also supports an increase in school breakfast participation of over 1 million children, from 8 million to 9 million children.

For WIC, which is a program that is very important to all of us, and especially the President and Mrs. Bush, the President's budget proposes \$4.8 billion to provide food, nutrition education and a link to health care to a monthly average of 7.8 million needy women and their children. I think that is a very clear sign of the President's commitment, as he asked for increased funding last year for this critical program.

It also provides, which is unprecedented, for a \$150-million contingency fund.

In our Commodity Supplemental Food Program the budget request of \$95 million, added to our anticipated carryover from fiscal year 2003 and the current inventory of surplus donations and commodities, maintains the program at the fiscal year 2003 level.

The Emergency Food Assistance Program (TEFAP) request includes a \$140 million budget request for food and \$50 million

budget request for storage and distribution costs. This administration has committed itself to ensuring the continuous flow of surplus commodities to those in need. Mr. Chairman, you also spoke of this. I would also like to reiterate that the Secretary and I are committed to a very sound stewardship of the resources that we are responsible for, as they are the investment in the future of our country.

In the Food Stamp Program, funding to maintain our level of effort to reduce errors in the Food Stamp Program is included in the President's budget proposal. I would also like to note, that the payment accuracy for fiscal year 2001, which was 91.38, was the highest accuracy rate achieved in the history of the Food Stamp Program. We will continue to work with the States and our State partners to ensure that that trend continues.

In the WIC Program, the President's request provides for \$30 million to support the enhancement and modernization of the WIC State Information Systems that will improve the management of the program, and we believe, that this will also help toward supporting our integrity efforts.

The President's request provides for improving the eligibility determination system in our School Lunch Program.

One of the most significant issues that we are facing in this country now relates to obesity. I will not go into the numbers today because they have been reported in the press almost every day. As a part of the President's HealthierUS initiative, our Nutrition Assistance Programs play a critical role in promoting good health and preventing diet-related diseases.

As a part of the President's budget, there is support for breast feeding promotion efforts and other activities in WIC; \$25 million for peer counseling and demonstration projects to evaluate how the program can be used to combat obesity among our children; expansion of our very successful ``Eat Smart, Play Hard campaign'', which goes across many of our program lines; the development of an integrated, family-oriented approach to nutrition education that allows the Department to partner with multiple Federal agencies; the promotion of good nutrition to all Americans, including resources to update and promote the Food Guide Pyramid, along with other obesity prevention efforts for the general public; and also funding for both the WIC and Senior Farmers' Market Nutrition Programs.

In conclusion, the President's direction has been very clear. The administration request sets priorities to ensure access, maintain and improve integrity, and continue our support to address the public health threat of people in our country that are overweight and obese.

I would like to thank you for your time and attention, and I look forward to any questions that you may have this morning.

[The prepared statements of Eric M. Bost and Roberto Salazar follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. Eric, I want to start out with an overall issue that a lot of us are dealing with as we speak this week,

and that is the 2004 budget resolution. There has been a lot of discussion in recent days about having across-the-board cuts to deal with fiscal responsibility, and discussions have included both mandatory and discretionary cuts in programs all across the Federal agencies. In many cases, they suggest, well, why can you not just eliminate waste, fraud and abuse if you have to cut, let us say, 1 percent of your budget.

FRAUD, WASTE AND ABUSE

I know that you have done a lot of work in that area in your particular agency, and I know, in some cases, that the funds that you save from looking into waste, fraud and abuse are put back into programs, but in general, maybe you can just give a general answer for now, but I do want to ask you to provide, for the record, an inventory of efforts to reduce or eliminate waste, fraud and abuse over the last five years by program area and what effect those efforts have had, but perhaps you would like to address your overall efforts.

FOOD STAMP AND CHILD NUTRITION PROGRAM INTEGRITY

Mr. Bost. Mr. Chairman, we can do that, and we will provide that information for the record. However, I am pleased to report that we have seen our integrity efforts yield some results in the administration of the Food Stamp Program. As I said before, we have the lowest error rate in the Food Stamp Program that has ever occurred in the history of the Program.

In the WIC Program, we have worked with our State partners to ensure that there is a high level of integrity in our programs, which essentially means this for all of the programs that; if you are eligible to participate in our programs, we want you to participate, but if you are not, we do not. It tends to be very simple.

In addition, we are also looking at ways to improve the integrity in our National School Lunch Program. It has come under a great deal of scrutiny, and people have voiced a significant number of concerns about what the administration may or may not do. We are looking at improving the integrity of that program with two stipulations that I want to note for the record:

First, are not going to do anything that is going to either prevent or deter eligible children from participating in the program, and second, we do not want to put in place any initiatives that are going to result in any additional administrative barriers on the education side for whatever we may come up with in terms of implementing it.

So those are two very clear guiding principles that I laid out and that the President laid out over nine months ago as we looked at reauthorization of the Child Nutrition Programs. We are looking at what we can do to improve the integrity of our three main programs that serve as a foundation for all of our nutrition assistance programs. We will put together that list for you of our three main programs and get it to you.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. I appreciate that.

FREE AND REDUCED-PRICED MEALS

The Department is requesting \$6 million for expanded assessment of the Free and Reduced-Price Meal Certification procedures. In regard to this assessment, the Department notes that in addition to \$7 billion in school meal funds, a wide array of Federal, State and local resources, representing much more than \$7 billion, are targeted using this data.

I have three questions related to this: Are any of the affected Federal agencies requesting funding for assessment of this data, since they would presumably benefit from this information; are any of the affected State or local agencies planning to contribute funding to this assessment; and how much is being spent by the Department on school meal certification this year?

Mr. Bost. We do not break it down. It is part of the total expenditures in terms of management of the National School Lunch Program. The President's budget request, it goes back to what I said previously, in terms of looking at improving the overall integrity of the National School Lunch Program, and that is what we are going to look at.

Mr. Bonilla. If you would also provide for the record answers to the first two parts of this question, I would appreciate that.

Mr. Bost. Yes.

[The information follows:]

No State and local agencies or other Federal agencies are contributing funds to support the assessment of school meals certification procedures.

A September 2002 report by the General Accounting Office examining the cost of three administrative procedures of the school meal programs found that in fiscal year 2001 the certification and verification processes represented approximately 1.1% of the \$8 billion in reimbursements for school meals. Applying this proportion to projected fiscal year 2003 reimbursements for the school meal programs, the estimated total costs of these procedures will be approximately \$95 million.

The Department of Agriculture provides support to States and school food authorities to administer the school meals programs, including the process of eligibility determination.

FUNDING FOR UNDER SECRETARY'S OFFICE

Mr. Bonilla. The last question I have on this round is some of the under secretaries are asking for more money to run their offices. I believe the increase you are asking for is 30 percent. I want to know why you need that percentage increase and what you would use that for.

Mr. Bost. Mr. Chairman, our programs serve 1 out of every 6 Americans in this country. In our efforts to ensure that we do that effectively, and with the highest level of efficiency, we

need the staff to be able to do that, and the additional staff that we are requesting in our office would afford us that opportunity. I think that we have done a Herculean job in terms of being able to manage our budget and the programs, given the number of people that we serve in this country.

Mr. Bonilla. Very good. Thank you very much.

Mr. Bost. Thank you.

Mr. Bonilla. Ms. Kaptur?

Ms. Kaptur. Yes, thanks, Mr. Chairman.

THE EMERGENCY FOOD ASSISTANCE PROGRAM

Mr. Under Secretary, when you appeared before us, we talked about the long lines that were already present at food banks, and at the time you responded that there had been a call to action, and you were working with advocacy organizations at that time.

The lines at food banks have gotten longer, and I am going to be placing in the record, just in the State that I am from, the really heavy volume increases at our food banks, and also I am going to be placing in the record information from the U.S. Conference of Mayors and a study that they have done, and I just want to quote from that for a second.

The study was completed in December of 2002, and it found that, on average, 16 percent of the demand for emergency food assistance was unmet in our country in 2002. The mayors' report indicated that 46 percent of those requesting emergency food aid were families. There was a 92-percent increase in the number of elderly requesting food, and that emergency facilities had to provide both temporary and long-term assistance. Half of the cities in the survey reported they were not able to provide adequate food. In fact, 64 percent of the city said they had to limit the quantities provided, and 32 percent of the cities, a third of the cities in our country, had to turn away people for lack of resources.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

The cities themselves, and many of them are in deficit, as you know, contributed \$72 million to support emergency food activities, and looking ahead, they reported that they expect all food assistance requests to rise this year, including a 96-percent increase from families with children. So the pressure on the programs that you administer are greater than they ever have been. The Farm Bill provided an authorization level of \$60 million just for TEFAP, but the budget the administration has requested only includes \$50 million and makes no mention that that is short of the authorization level.

So my question is what is the Department doing in order to assist these areas of the country that obviously are short on food for our own people?

Mr. Bost. Two points, Ms. Kaptur, that I want to mention.

Let us talk about The Emergency Food Assistance Program (TEFAP). Over the course of the last several years, we have continued to increase the amount of money that we have put in

support of this program: Fiscal year 2001, \$348.5 million; 2002, \$436.5; and 2003, almost \$450.3 million. But in addition to that, and I think this is a very important point, we have actively been involved in working with the States to ensure that persons that are eligible for our programs are able to participate.

FOOD STAMP PROGRAM PARTICIPATION

What we have found is that a number of persons in our respective communities that are eligible to receive and participate in the Food Stamp Program are not doing that. They are accessing the food banks and the soup kitchens. In many instances, they are eligible to receive and participate in the Food Stamp Program. There have been a number of activities and a number of initiatives to ensure that we work with our State partners in increasing the number of eligibles so that they are able to participate in our Food Stamp Program, which will help address some of your concerns.

In addition, there has been some work in FNS with the faith-based community to ensure that they know and are aware of the resources that are available to people that are in need and that are hungry and that they know where to direct people so they can participate in our programs.

Let me go back to the Food Stamp Program. The most recent figures would indicate that only about 59 percent of all eligible persons participated in that program in fiscal year 2002, which essentially means there is a significant number of people that are eligible to participate and are not and many of those are, indeed, seeking the resources that you noted, for a variety of reasons:

One, they find it easier to do so; two, they found that they may or may not be eligible to participate in the Food Stamp Program; and the third reason is that some just do not want to take the time to go and fill out an application.

We are hoping to address all of those issues.

Ms. Kaptur. Mr. Under Secretary, might I ask you to yield just for a second because I was looking at the numbers you gave----

Mr. Bost. In terms of TEFAP?

Ms. Kaptur. We have a serious disagreement in terms of the numbers. You mentioned for the year 2002 an appropriated level of \$436 million. The number I have in your own budget submission is \$361 million, which is a reduction of \$113 million from the prior fiscal year.

And with the levels of unemployment rising and what you are saying about people having trouble filling applications and so forth, I guess I am just asking for some greater traction at the local level to help people who need the food get it, and if we do not even agree on the numbers----

Mr. Bost. In terms of that traction Ms. Kaptur, I think it is really important to note that the level of outreach that I believe that this administration has done is unprecedented to ensure that every eligible person participates in our program.

We have done a lot of work on the local level in terms of outreach grants, in terms of working to streamline applications with States, in addition to addressing some of the language

barriers that some legal immigrants have brought to the table. The restoration of benefits to legal immigrants that was included in the Farm Bill will capture a significant number of persons, also.

In terms of getting that traction, I think that we have been very assertive and very aggressive to ensure that eligible persons participate in our program so that we are able to meet their needs.

Ms. Kaptur. I know that my time has expired, Mr. Chairman. I just want to say I think what is unprecedented are the numbers of people who need food assistance and that the Food Stamp eligibility has been seriously underadministered by the Department and people are scurrying around out there under enormous financial and human pressure right now.

And it seems to me that we should be trying harder to get food to those who really need it, and I do not think that the Department's record to date shows that kind of aggressive posture that gets the traction at the local level, and we will wait to see.

Mr. Bonilla. Thank you, Ms. Kaptur.

Ms. Emerson?

Mrs. Emerson. Thanks, Mr. Chairman.

Welcome.

Mr. Bost. Thank you.

CHILD NUTRITION PROGRAMS

Mrs. Emerson. Mr. Chairman, I have some questions that relate to your question that I would like to submit to the record because I have got to get to another hearing.

Mr. Bost, as I have discussed with you before, many of my constituents would like to see an elimination of the Reduced-Price School Meal Program, and many of our working families find that the 40-cent fee is a significant barrier to participation, particularly at the end of the month, and particularly when there are numerous children in the family.

I think it would make sense to offer free lunch to folks who have the same income guidelines as the WIC Program--185-percent of the poverty line. While you have expressed your concern about the cost of such a program, if sufficient funds were available, would you be supportive of this proposal?

Mr. Bost. That is a big ``if.'' Ms. Emerson, it is a question of priorities. If money was available, not at the expense of other programs or if the money was available to look at doing some other things, I would have to give a great deal of thought to. The cost of eliminating the reduced price lunch could be almost \$900 million a year--if that is a decision you are willing to make.

Mrs. Emerson. Okay, I appreciate that.

WIC PROGRAM

Let me ask you a question with regard to the WIC Program. You know I am concerned, and particularly in my area of the country, this is a big problem, but I am concerned about the low rate of breast-feeding, if that was something you mentioned, but I would like to go into that a little bit more.

In Pediatrics magazine, back in December, it talked about a 20-percent lower rate of breast-feeding in the WIC population compared to the non-WIC population. I think it was like 58 percent versus 78. How do you think we can increase breast-feeding in the WIC Program?

Mr. Bost. There is \$20 million in the President's budget request for breastfeeding peer counselors that would afford us the opportunity to increase breastfeeding in the WIC Program.

Through the utilization of peer counselors, we have seen an increase in WIC breast-feeding persons that is greater than in the public population. Essentially the way it works is the fact that counselors come to the WIC clinic, they work with the mothers, they go to the hospitals, they talk with them and they answer any questions that they may have.

In addition to that, we also have an initiative to encourage males and fathers to provide a level of support, too. So I think in concert, using both of those models, we can realize a significant increase in the number of WIC moms that breastfeed.

Mrs. Emerson. How many peer counselors do we have, do you know? I am just curious.

Mr. Bost. We do not know now, but we can get back to you. We will answer your question.

[The information follows:]

Seven WIC State agencies have statewide breastfeeding peer counselor programs that include formal training for staff. In addition, 17 State agencies have some local WIC agency breastfeeding peer counselor programs that include both volunteer and paid staff as peer counselors.

Mrs. Emerson. I am just curious because if it is a \$20-million program---

Mr. Bost. That is one of the things that we have found to be the most successful, in terms of increasing the rate of breastfeeding among WIC moms.

Mrs. Emerson. Well, I appreciate that. I know it is important to try to get---

Mr. Bost. Another reason that breastfeeding is also very important to us is that it goes a long way toward addressing one of the other initiatives that we have to address is the issue of obesity. The research also indicates that children that are breastfed tend not to be as heavy late in life as nonbreastfed children. So it is something that is important to us because it allows us to address many issues.

Mrs. Emerson. Thank you very much.

CHILD NUTRITION PROGRAMS

Just back on the School Lunch Program and the 40-cent fee, I think another colleague might follow-up that line of questioning, but I also would like you all to consider the use of commodities to be more widespread in the School Breakfast Program.

Mr. Bost. Absolutely, as we get into the reauthorization of the Child Nutrition Programs, it is one of the things that we hope to discuss.

Mrs. Emerson. I appreciate that.

Mr. Bost. You are welcome.

Mrs. Emerson. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Ms. Emerson.

Mr. Farr.

Mr. Farr. Thank you very much, Mr. Chairman, and I am delighted to follow up on Mrs. Emerson because I have some of the same concerns.

You were talking about the Child Nutrition Program. I have been on this committee, I do not know, four or five years now, and whenever this panel comes up, I kind of get involved in all of the food issues, and I have been really interested in trying to get fresh and special crops into all of our feeding programs.

But what really struck because this town, you know, is famous for saying all politics is local is to try to follow the food and nutrition programs at the local level. I am convinced that when Congress enacted the Paperwork Reduction Act, they never had in mind the--or the Child Nutrition Program has never heard of it. I do not think you feed people as well as you just collect paper. I cannot understand how you can run these programs. Now, I blame Congress for inventing them, but, you know, if something is broken, we ought to fix it.

And the farm bill sort of said, you know, just threw in, on top of everything else, that, oh, well, just to make free fresh and dried fruits and vegetables available to students in 25 schools in each of the four States, to students in schools with one Indian reservation during the 2002-2003 school year.

Here, you have a National School Lunch Program, which is administered separately from a National School Breakfast Program, which is administered separately from a Child and Adult Care Food Program, which is administered different from a Food Service Program. I am just wondering, on the Food Service Program, since the Food Service Program is free to children in low-income neighborhoods during summer months, on a per-meal basis, by Federal cash subsidies to State agencies and on and on, and now we have schools that are year-round, so the school's summer is not really a summer. It is just another period of a school year, and then you have a special Milk Program, and then you have State administrative expenses.

But let me just point out that it seems to me that all of these, because there is common language in all of them, that essentially you are trying to target poor kids or kids from economically underemployed families. And with the way the economy is going in this country, which is such a total disaster, I mean, we now have a loss of 1.7 million jobs. Obviously, if the parents are not working, these kids are going to start being eligible for these programs.

So what I would love to do, and to see you really get involved with the reauthorization here, is why can we not just combine all of these programs--figure out some common denominators that the Federal Government wants, and we have a lot of that common denominator language in our Census data. We have the history of these programs through the years, and essentially you are not really given a lot more money or the money is not being shifted around because I do not think that the paperwork or the prerequisites for getting into these

programs are so onerous that the program is sort of set up history.

So why can we not get a better bang for the buck? Because you are going to have to come up feeding hundreds of thousands of more children in this country by just sort of block-granting these to the schools with the requirements that you give these schools to the kids in need.

Because what Jo Ann Emerson and I are talking about is that if you try to administer these programs as the kids come through the line, you do not know whether the parent has earned enough money. I mean, I told the Secretary we do not means test these kids when they get on the school bus, we do not means test these kids when they get into the library to check out a book. But when you are going through the line to get food, you have got to be means tested, and how can you do that?

I just want to read to you here. Listen, how do you administer this program: ``Nonprofit child care centers and family day care group programs receive subsidies for meals served in pre-school and other young children as well. Now, the profit-making child care centers receiving compensation under Title XX of the Social Security Act may participate in the program if 25 percent of the children enrolled or 25 percent of the center's licensed capacity, whichever is less, are Title XX participants, and from December 21st, 2000, through September 30th of 2002, such centers may participate if 25 percent or more of the children they serve are eligible for free or reduced price,'' and then it goes on.

``Adult day care, they must be nonprofit, unless they receive compensation under Title XIX or Title XX of the Social Security Act for at least 25 percent of their enrollees. PL Law 105 through 336 made child care centers that had previously participated in the Kentucky-Iowa For-Profit Child Care Demonstration a permanent part of the CACFP under the eligibility criteria used in the demonstration.''

I do not know how you can administer this kind of stuff. And the point is that we are putting more emphasis on paperwork than we are on feeding, and you are in charge of this now. I know you want to go out with having done something great. What I would love to have you do is, and I am very involved in all of the schools and trying to figure out how can we get the food out there and have it fresher and better, and have more kids participating, and less paperwork, and less denial of people that are hungry for access to food.

Mr. Bost. Mr. Farr, with the reauthorization of the Child Nutrition Programs, one of the recommendations that we are going to put forward, that is a major priority for us, is the streamlining of these programs. That is at the top of our list, along with ensuring that every child that is eligible to participate does, along with ensuring that we do not add any additional paperwork to the schools or the entities that have the responsibility for managing our programs.

With that said, however, it is also very important to ensure that when we do that, that there are safeguards in place to ensure the people who have the responsibility for managing these programs do realize that we are still asking them to be accountable and that there is a high level of integrity in these programs.

We agree with you that we need to do that, and with the reauthorization of our Child Nutrition Programs, we will be putting forth our recommendations to address many of your concerns.

Mr. Bonilla. The gentleman's time has expired.

Mr. Farr. Maybe on the second round I can get it.

Mr. Bonilla. Thank you, Mr. Farr.

Mr. Goode. Thank you, Mr. Chairman.

Mr. Bost, I read in your summary here that you want to motivate Americans to improve their diets and physical activities. Good job. [Laughter.]

IMMIGRANT ELIGIBILITY FOR FOOD STAMP PROGRAM

Mr. Goode. Let me ask you this: In the Farm Bill, more immigrants are put back on the Food Stamp Program, and you know in a number of immigration situations, persons have sponsors, and those sponsors agree to take care of any of the needs of the persons if they need to come in to get Government assistance from some angle.

How many of those sponsors have you contacted in the case of recent immigrants when they have applied for Food Stamps?

Mr. Bost. Well, Mr. Goode, I think it is important to note that we just started this process, and the largest percentage of persons that will meet the eligibility requirements will happen April 1, 2003.

In addition to that, the other issue is that they are not eligible to participate in the Food Stamp Program until they have been in the country for five years. Usually, many of them do not have sponsors when they have been in the country that long.

Mr. Goode. All right, but let me ask you this. That is the law now. Then, the law two years ago, I believe, was no Food Stamps in those type of situations. Then, prior to that, though, the law did not have a five-year time wait.

Mr. Bost. That is correct.

Mr. Goode. During that time frame--and that would have been under the Clinton administration, and you were not here then--

--

Mr. Bost. No. [Laughter.]

Mr. Goode. Do you have, maybe Mr. Dewhurst has been here a while----

[Laughter.]

Mr. Dewhurst. Yes, I have been here for a while.

Mr. Goode. How many sponsors were contacted in those situations when there were requests from----

Mr. Bost. Interestingly enough, I had the responsibility for managing the Food Stamp Program in Texas, and I can answer it from a State perspective.

Mr. Goode. All right.

Mr. Bost. It was essentially our responsibility to do that and not these guys that were behind me when I was in Texas.

Mr. Goode. Right. I figured he might have some numbers on it.

Mr. Bost. The other thing is that I doubt very seriously if they have any numbers because I do not ever recall the Federal Government asking me to supply those numbers to FNS when I was

commissioner in Texas. Is that correct?

Ms. Biermann. That is correct.

Mr. Bost. No, they would not have them because there was no requirement that I supply that information to the Federal Government when I was commissioner in Texas. So I am sure that they do not have any numbers.

Mr. Goode. Do you remember them checking on, say, 5 percent?

Mr. Bost. No--less.

Mr. Goode. They did not check 5 percent?

Mr. Bost. It was less.

Mr. Goode. Do you think they checked 1 percent maybe?

Mr. Bost. When a person would come into an office in Texas, we would determine if they were eligible to participate in the Food Stamp Program. That would come into play if we looked at the household and the household income. If they were living with a sponsor or if the sponsor was providing some sort of financial support, then that would come into play.

Mr. Goode. Right. Right.

Mr. Bost. In most instances, the sponsors were not an issue.

Mr. Goode. With the five-year time frame now, on the form that they fill out with INS or whatever the new initials are, did it limit the sponsorship period?

Mr. Bost. Mr. Goode, I do not understand your question.

Mr. Goode. The sponsorship period; in other words, you are responsible for a certain length of time for the needs of the person that has recently immigrated into the country, that sponsorship period ends after what length of time or does it end?

Mr. Bost. The sponsorship period ends in ten years.

Mr. Goode. So you could check on those with the five-year gap now, but you are not doing that yet, right?

Mr. Bost. I think that it would be possible for the States to do it, but I do not think they would be jumping up and down to check on somebody else and report to us.

Mr. Goode. Yes, I do not think, unless they get encouragement, they are not going to do it.

Mr. Bost. I think we would have to offer them a little bit more than just encouragement. [Laughter.]

Mr. Goode. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Goode.

Ms. DeLauro.

Ms. DeLauro. Thank you very much, Mr. Chairman.

FOOD SAFETY

I thank you all for being here today. I want to talk about the School Lunch Program, if I can. Recalls of unsafe food in the School Lunch Program are performed on a voluntary basis, complicating the recall is the fact that schools often do not know the identity of the producers and processors who supply food to them due to the, complicated chain of manufacturers, distributors, brokers that deal with schools. How important is it for schools to immediately identify and isolate contaminated food that is subject to recall?

Should schools have access to the identity and contact

information of all food manufacturers and producers who supply them with food?

Should recalls of contaminated food served in the School Lunch Program be made mandatory if a voluntary recall effort fails?

What policy does FNS or the Department have regarding the purchase of products from companies involved in recalls? Does it currently buy from Wampler or the ConAgra plant in Greeley, Colorado, that is now owned by Swift?

Mr. Bost. You have asked several questions.

Let me start off by saying that we are ultimately responsible and we care a great deal about the safety of school meals that are served to children in this country.

The second point that I would like to make is the fact that we work very closely with the Food Safety Under Secretary, Dr. Murano, and FSIS to ensure that there is coordination between our efforts and their efforts whenever there is a problem and food needs to be recalled.

To my knowledge, since I have been here, I cannot think of a single instance where we have asked for food to be recalled from schools or to be held. In terms of mandatory, I do not think that it is needed or warranted because that has not been the case. I think that when the schools receive a call from us, they take it very, very seriously.

In terms of the labeling and the quality of food, that is something that is done, through our sister agency, the Agricultural Marketing Service (AMS), and also done by the schools themselves. With that said, we have been very clear in terms of the requirements of the foods served in schools, and the specifications that we require that, one, that they are safe and also that the nutritional value and content thereof that they meet those.

And so, hopefully, I have answered at least three of your four questions.

Ms. DeLauro. Let me ask for a quick answer because I want to get to another issue. Should schools, in your opinion, have access to the identity and contact information of all food manufacturers and producers who supply them with food?

Ms. Biermann. When we do a recall, we actually provide them with the delivery orders and all of the information.

Ms. DeLauro. Do you provide them with the names of the distributors, et cetera, so that they could know where that food is produced, processed, and where it came from?

Ms. Biermann. Where it comes through the State distributing warehouse, the State warehouses, yes, we do identify the warehouses. We also identify the produce by the delivery orders and the shipping orders so that they can go back and track where that product is.

Ms. DeLauro. All of the manufacturers and producers?

Can you do a favor for me? Can you just get back to me with letting me know what the process is, what the notifications are?

Mr. Bost. Certainly, we can do that.

The information follows:

Our contracts include language stating that donated commodities must be produced in plants operating under Federal

inspection regulated by the Food Safety and Inspection Service (FSIS). So, if a company involved in a recall has their Federal inspection withdrawn by FSIS, they cannot participate in Federal purchase programs until their grant of inspection is reinstated.

In addition, USDA maintains a recall committee to ensure that all recalls are quickly reviewed to determine if donated commodities are involved and to ensure that they are not served in USDA food assistance programs. Purchase contracts also state that in the event of a commodity recall, the contractor is responsible for removal and replacement of recalled commodities or products, and reimbursement of State and local costs incurred as a result of the recall.

Ms. DeLauro. Let me ask you this because GAO testified that between 1990 and 1999 there have been almost 300 reported outbreaks of food-borne illnesses in our schools. That is thousands of kids being affected, with long-term health consequences.

My understanding is that about 17 percent of the food served in schools is donated by USDA, undergoes stringent food safety standards, increased inspections, tougher pathogen testing, yet the remainder 83 percent of the food that is consumed at schools is not subjected to these tougher standards.

Do you think that there are health benefits of incorporating USDA's donated commodity standards into local school schools' food purchasing contracts?

Should we incorporate your standards for the 17 percent of the food that goes to the schools now into that other 83 percent?

Mr. Bost. It is my understanding that they are able to buy commercially at this point, and that for the most part, the food meets the same standard that we have established because the schools are interested in ensuring that the food that they serve to children is safe.

Ms. DeLauro. I would like to know if the standards that are within the commercial efforts are the standards that you have. Are they the same? Are they different?

Mr. Bost. I think the inference is that the schools would be interested in serving unsafe food to children, and I do not think that is the case.

Ms. DeLauro. No, no. Schools are not interested in serving unsafe food. What I am trying to establish here is whether or not we are uniform in our standards for the product that goes into our School Lunch Program. Seventeen percent is USDA, the balance of it is not.

Ms. Biermann. For the commercial products that are purchased, they do have the same standards except FNS has more stringent standards when it comes to the meat and the poultry aspect.

Ms. DeLauro. Can I find out what the standards are and what we ask the commercial people to do in those standards?

Mr. Bost. Yes.

[The information follows:]

Imposing USDA commodity food safety requirements on

commercial products purchased by schools would not be necessary. There are only a few commodity products that USDA purchases for schools using food safety specifications that exceed those on the commercial market. They are ground meats and turkey, some egg products, and frozen diced cooked chicken. Schools, for the most part, choose to use their entitlement money to receive all of their ground meat and frozen diced-chicken from the commodity program and, therefore, purchase very little from the commercial distribution system. Furthermore, imposing such standards on the commercial sector may ultimately lead to a significant increase in commercial prices paid by schools, or result in fewer commercial food manufacturers willing to market to the school food service community.

For those schools that may, in fact, be interested in USDA's specifications for their own procurement purposes, we have alerted schools that these specifications are available on the AMS website.

Ms. DeLauro. Do you think that schools would benefit from preparing monthly plans addressing the risks and general safety guidelines in preparing food for the School Lunch Program?

Mr. Bost. Yes.

Ms. DeLauro. What other methods could be employed to ensure that schools are purchasing and preparing the safest foods possible for the School Lunch Program? What are your views?

Mr. Bost. We do training in concert with the schools. The States do in-service training, and the HACCP plans ensure that foods meet safety standards, and so we believe that those things are in place to ensure that food is, indeed, served safely to children in schools.

Ms. DeLauro. Are we currently buying from Wampler or ConAgra in Greeley or now Swift?

Mr. Bost. Much of the responsibility for food purchasing is local. We will have to check with AMS to determine that.

Ms. DeLauro. I am talking about USDA, not the local schools.

Mr. Bost. We need to talk to AMS because FNS does not buy food.

Ms. DeLauro. If you can let me know what we have done with regard to ConAgra, Wampler, those who have been in violation of our laws. Are we still purchasing from those places?

Mr. Bost. We can do that.

[The information follows:]

USDA has purchased products from Wampler Foods, Inc., in Franconia, PA; Hinton, VA; New Oxford, PA; and Moorefield, WV. However, after the Listeria recall at their facility, USDA worked very closely with Wampler Foods to determine if the food safety interventions they put in place after the event were adequate to ensure the safety of donated commodities before they were permitted to begin the production of replacement product and bid on new contracts.

USDA has not purchased products from the Swift Greeley, Colorado, plant for the past three years. The facility has not chosen to participate as an approved supplier for Federal purchase programs.

Ms. DeLauro. Thank you.
Mr. Bonilla. Thank you, Ms. DeLauro.
Ms. DeLauro. Thank you for your time, Mr. Chairman.
Mr. Bonilla. Mr. Hinchey.
Mr. Hinchey. Thank you very much.

FISCAL YEAR 2004 BUDGET REQUEST

You are here on a rather propitious day. I do not mean because of what is happening in the Middle East, but because of the budget consideration on the floor today. That budget will impact the way that we do business here as a country and how we finance many of the needs that we have.

The House's fiscal 2004 budget resolution, in order to make room for the President's \$750-million tax-cut proposal, would require deep cuts in discretionary and mandatory programs alike throughout the Government. It would cut domestic programs 3 percent below the President's request. Entitlement programs are not spared.

The Education and Workforce Committee, for example, will be required to cut almost \$10 billion from its entitlement programs, including the Child Nutrition Programs, over the course of the next 10 years. That includes a reduction of \$269 million this year.

Can you give us some idea of what these cuts, the 3-percent reduction in your discretionary programs, as well as up to \$269 million from your mandatory programs will have, what effect they will have on child-feeding programs across the country?

Mr. Bost. Mr. Hinchey, we have not done that, and the reason we have not, is the fact that I am here to present the President's budget. Given what is noted in the President's budget, it more than addresses the nutritional needs of children and poor families in this country.

This is an outstanding budget the President has put forward to address the needs of hungry people in this country.

Mr. Hinchey. Well, I know that----

Mr. Bost. I would like to make one more point.

Mr. Hinchey. There is a sense of unreality in the White House these days, but it is important for you to understand what budget you are going to have to deal with and what level of funding you will have to carry out the programs that you run that are mandated by law.

The leadership here in the Congress has not heard what you are saying. Their intention is to give you a budget which is different, which is substantially lower than what the President has submitted. I am asking you to tell us how you will deal with the reality, not the imaginary situation, but the reality.

Mr. Bost. If that were to occur, we would look at what we had been given to manage our programs, and we would make some decisions about those issues and prioritize so that it would not adversely affect the people who we have a responsibility of serving.

Mr. Hinchey. But you are not facing up to the reality of the situation yet. You are not prepared to deal with it as yet.

Mr. Bost. When it occurs, I will address it.

Mr. Hinchey. Well, it is occurring.

Mr. Bost. Well----

Mr. Hinchey. The budget resolution is on the floor today. This is not something that is going to happen six months from now. The budget resolution is on the floor today.

Mr. Bost. Mr. Hinchey, I understand that, but the issue for me is two real points, and I will try to make this as clear as I possibly can. The President has been very visionary and very supportive of meeting the needs of hungry people in this country, as I presented in the budget request. That is the first thing.

The second thing is that you are asking me to respond to something that has not occurred; one, if it occurs, and whatever budget the Congress approves for us, we will look at it, and we will make some decisions that we believe are prudent, and that are responsible, in terms of meeting the nutritional needs of hungry people in this country.

Mr. Hinchey. Okay, well, let me help you a little bit.

The budget resolution on the floor today could force nearly one-half-million poor children from the Child Nutrition Program in the first year. It would zero-fund the Summer Food Service Program and still require an additional \$2 billion in cuts from other programs on top of that.

It would force the Child and Adult Care Food Program to reduce nutrition and health education services to children and family and center-based child care settings by almost 25 percent in five years, and it would slash billions of dollars in funds for farmers who provide commodities like fruits and vegetables to the schools.

So what I am asking you to help us with is to tell us, beyond what I have just said, if you can, how you are going to deal with this situation and still promote these educational programs and carry out your obligations under the law.

Mr. Bost. Well, with the amount of resources that I have available to address the----

Mr. Hinchey. The amount of resources that you are going to get from the budget resolution that is on the floor today.

Mr. Bost. To address the needs of the eligible persons so that they are able to participate in these programs. I do not know how much further I can go, based on what you are asking me to do.

Mr. Hinchey. Well, I could tell you how much further you could go, but I am out of time in this round of questioning, and you could tell me, also, how much further you could go if you wanted to, but you choose not to at the moment, and I understand that.

Mr. Bonilla. Thank you, Mr. Hinchey.

Mr. Bost, and to our distinguished panel here, we are now being summoned for three votes on the House floor. We expect that we can be back here within 25 minutes to 30 minutes, at the most. After the third bell goes off for the third vote, I have asked Ms. Kaptur to return as quickly as possible. She has remaining questions, as I understand other members do as well.

There will probably not be many members on the Republican side returning because of a meeting that has been called by the leadership that they are asking everyone to attend. There are also simultaneous appropriations hearings going on at this time, but we will allow ample time for all members to ask

questions.

So, at this time, we will just take a break, and we will return in about 25 minutes to 30 minutes.

Mr. Bost. Thank you, Mr. Chairman. We will be here.

Mr. Bonilla. Very good.

[Recess.]

Mr. Farr. Thank you, Mr. Chairman.

Thank you for being patient.

Mr. Bonilla. Thank you, Mr. Farr.

Thank you all for your patients. We will now proceed, Mr. Farr, and we will go as many questions that remain here with our members.

Thank you.

Mr. Farr. Yes, I want to reiterate Mr. Hinchey's concern. I mean, we are asked to vote on the Republican budget resolution today, and in that resolution it is going to cut essentially \$269 million. What it does is it cuts the money targeted for education and labor force, and the only two big budget items in there are nutrition and student loans.

So you are sort of competing. You know, you have got those competing concerns, political concerns, and if the program is going to be cut, you are going to have to be in a position to figure out how to do it. My thinking is that if you look through all of these paperwork costs that we could do away with paper by combining all of these programs and essentially creating some kind of block grant that would just allow us to feed as many people as we can.

I also see this problem, I mean, I want to know do you have any people in your office that can do damage control-- damage control for a message that I think is going to be a real problem in the United States. As I have indicated, 1.7 million people have lost their jobs. If you consider that those may be family people, and there is an average of 2.2 in a family, that is about 3.7 million more children that will end up in poverty programs, and we certainly do not have the money there.

So the lines are going to be long, a need the vision on television is that we are going to be reconstructing Iraq, and I do not think that the food programs in Iraq we means test anybody. So we are going to be feeding the adults and children in Iraq because they need to be fed, and yet in our own country, we are going to be telling people, ``I am sorry, the bureaucracy requires that you apply the right way, and you meet all of these stringent qualifications.''

Have you thought about how we are going to get out a message with the cuts that we are supposed to vote on today and the fact that the food programs that we are feeding abroad, which come out of the same base as the food programs here, can be handled?

Mr. Bonilla. If you would yield for just 10 seconds before you answer, Mr. Bost. Let us just all remember that this is highly speculative, and the budget that is being proposed today is still fluid, and there is no way to predict exactly what is going to happen in Iraq. So, just for the record, I am happy for Mr. Bost to respond, but that is the truth.

Mr. Bost. Mr. Chairman, you took the words right out of my mouth. That is what I was going to say, but I would like to add that since I have been Under Secretary, it has been a major

priority for the President, for the Secretary, for me and for this administration to ensure that every single person who is eligible for these programs is enrolled and we meet their nutritional needs.

I sit here today, with the passion that hopefully you can hear in my voice that says that I believe that we have done an outstanding job in trying to ensure that that occurs. We are in the business of meeting the nutritional needs of children.

Can we do a better job? Absolutely. Does the President's budget continue to lead us in that direction so that we can achieve those ends? Absolutely. I believe that that is the case.

To your point about damage control and things that may happen, that is not my place. That is not my role.

Mr. Farr. But my point is that we are not meeting the nutritional needs of children because the report comes back that we are giving meals to children who may be hungry, but their parents earn too much income. So, therefore, we are not, I mean, that is exactly what I hope we can get at. I hope we can get at feeding hungry kids, regardless of what their income is.

Mr. Bost. Well, I think that a part of me would agree with you up to a point, but I also believe that people in this country have some responsibility for helping themselves, that I have a responsibility and an obligation to feed them if they meet a certain criteria. I also believe that we have a responsibility and an obligation, that people and parents also have a responsibility and an obligation to try to help themselves.

I am always willing to ensure that we provide people with a hand-up, but not continuing just to provide a hand-out. That is why there is a real distinct difference between what happened with the reauthorization of the Food Stamp Program last year, in terms of restoration of benefits to legal immigrants, and what's happening with discussions that are going on in the Temporary Assistance for Needy Families (TANF). We are interested in encouraging work. However, we are still interested in ensuring that we meet the nutritional needs of hungry people in this country.

Mr. Farr. Would you recommend a veto of a bill that would cut the Child Nutrition Program by \$9.7 billion?

Mr. Bost. Mr. Farr, do you think I am going to answer that question?

Mr. Farr. I would think so, yes. From what you have just said, you would be absolutely wanting to veto a bill like that.

Mr. Bost. The issue is the amount of money that is available to me. I am here to present the President's budget. It continues to go a long way in terms of meeting the needs of hungry people in this country. I support the President's budget. It is an outstanding budget.

Mr. Farr. And if Congress does not give the President back what he asks for, you would recommend a veto?

Mr. Bost. Mr. Farr, that is something that Congress would have to decide, will they not?

Mr. Farr. No, you decide.

Mr. Bost. No.

Mr. Farr. The President has the ultimate signature to

those----

Mr. Bost. If the President asked me my opinion about what he should do, I will give it to him.

Mr. Bonilla. Thank you, Mr. Farr.

Ms. DeLauro.

Ms. DeLauro. Thank you very much.

WIC PROGRAM

Mr. Bost, I want to move to the WIC Program. If you can, explain the sudden and alarming change in the administration's view of the effectiveness of the WIC Program.

Last year, the administration said several times that the effectiveness of the WIC Program was clearly established, and this year we have out of the blue OMB saying that a comprehensive evaluation of the program was long overdue. There was a radio address on January 12th, 2002, where the President said, ``My budget seeks to help them,'' that is Americans ``by adding resources to vital programs that have proven their value. One of our Government's most effective services is the Women, Infants and Children Program that counsels mothers on nutrition and health care for their children.''

A fiscal year 2003 White House budget document said, ``Numerous Government and private studies show that WIC is one of the Nation's most successful, cost-effective early intervention programs. Research documents the success of WIC. The studies show WIC improves diet and diet-related outcomes, infant feeding practices, immunization rates, access to health care, cognitive development. It reflects demonstrated success by increasing the program's funding. In addition, there was a report on the effectiveness of several programs in the USDA. In fiscal year 2003, the document rated the WIC Program as effective. WIC is successful, cost-effective, it saves lives, it improves the health of nutritionally at-risk women, infants and children.''

In response to a question for the record last year, you said, ``The administration's request for WIC reflects the effectiveness of the program that has been demonstrated through rigorous evaluation.''

So lots of praise of demonstrated success. And although the program is highlighted as one of the most effective Federal programs, it does not seem to support a conclusion here that a comprehensive evaluation of the program's effectiveness is long overdue.

And if you can, tell me how the program has gone from one, on January 12th, 2002, that has proven its value to one for which a comprehensive evaluation is long overdue a year later.

Mr. Bost. Ms. DeLauro, I am a proponent of continuous process improvement, and this is a fine example. Even if a program is doing exceptionally well, and we believe that WIC is, we would not be prudent if we did not continue to evaluate it to make some determinations of how we could make it even more effective or better. I think this is an opportunity to continue this process.

In addition to that, I do not know of any programs, and I have only been Under Secretary for a year-and-a-half, that we would not want to evaluate so that we could have some basis for

determining what we could do differently, so that we can improve on them, so we can make them more efficient, and more effective. I think this is an instance to look at that so that we can have that information enriched.

Ms. DeLauro. No, I understand the issue of accountability and evaluation, except that just a year ago, through lots of studies, lots of research, and lots of documentation of a program which has reached the highest accolades from a variety of sources, it would seem to me that, quite frankly, given the variety of issues that we may not be looking at that need some evaluation, that we would take a highly successful program and then try to run it through a comprehensive evaluation.

If you can show me where we think the WIC Program is falling down between January of last year and now, and why we would like to try to evaluate it. As I say, we have lots of things, limited resources, why would you want to go after a program that is top of the mark?

Mr. Bost. I do not think that it is falling down, but as I said before, we are always interested in evaluating our programs so that we are able to receive information so that we can even make it better and more effective. We will provide additional information to your for all our programs.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

FARM-TO-SCHOOL

Ms. DeLauro. That would be great. I would like to see what is also in programs that have not been evaluated for the last several years. And really the timeline on evaluating the programs that you have, which maybe have not had an evaluation in the last 10 years, and then maybe we ought to take a look at how we do our priorities and evaluation.

I have a final question. A variety of school districts in my State, including WestHaven, Connecticut, Wallingford, Connecticut, are either buying now or want to buy from local farmers. What they want to try to do is by encouraging children to eat healthy foods, they will have a much better chance of avoiding serious illness later in life, heart disease, obesity, diabetes.

I think it is a wonderful program for local farmers, and contrary to what some of my colleagues believe on this committee, I do have farmers in the State of Connecticut.

[Laughter.]

Ms. DeLauro. So are you doing anything----

Mr. Bost. How many acres? No, nothing. [Laughter.]

Ms. DeLauro. A lot of dairy farms and lots of specialty crops as well.

Are you doing anything now to encourage school districts to work with local farmers? I think this is a very good effort, and what else do you think we can be doing to encourage and strengthen these efforts?

Mr. Bost. Yes, we are. I am pleased to announce that on May 16, 2002, we sent a letter to states encouraging school food authorities to purchase locally produced food to the extent

practicable. I am also happy and pleased to note, that this is one of the things that we are going to talk about during reauthorization of the Child Nutrition Programs because I agree with you, and we want to encourage activity.

Actually, it is referred to as the Farm-to-School and Garden-to-School Programs.

Ms. DeLauro. Right.

Mr. Bost. We do support those. They have a tremendous benefit, and during the course of the Child Nutrition Reauthorization, there are some things that we want to do to encourage that. We also are aware of successful farm-to-school programs in two States--Florida and North Carolina--where those are ongoing. So it is a question of our ability to expand those to include other parts of the country.

Ms. DeLauro. If you would, I would love to talk with you about expanding that. If programs are working, let us make them work nationally, and I appreciate your involvement in this effort.

Thank you.

Mr. Bost. Thank you.

[The information follows:]

FNS has worked with States to bring interested partners together and facilitated open discussions of policy issues in the Small Farms/School Meals Initiative, popularly known as the ``farm to school'' project. Regional workshops were held and guidance was provided to local farmers, local schools and other officials, and other interested parties; several major universities are involved in the effort. A Memorandum of Understanding was developed between FNS and the Department of Defense (DoD) to link farmers to schools. DoD's role was assisting farmers in marketing and delivery of their produce to schools.

In May of 2002, FNS issued a memorandum to States encouraging local school food authorities to purchase locally produced foods to the maximum extent practicable, along with other foods. During 2000, FNS released a publication, ``Small Farms/School Meals Initiative Town Meetings, A Step by Step Guide on How to Bring Small Farms and Local Schools Together''. Successful farm-to-farm projects have been established in Kentucky, Iowa, North Carolina, Georgia, and New York.

Mr. Bonilla. Thank you, Ms. DeLauro.

Ms. Kaptur.

Ms. Kaptur. Thanks, Mr. Chairman.

TEFAP AND WIC PROGRAM

I wanted to go back to the TEFAP Program, Mr. Secretary, and I can tell you I have been through many food banks in Ohio. I cannot speak for Texas, I cannot speak for Connecticut or California, but I can tell you the need has been progressively growing. And you referenced faith-based groups in your original comments. They are strung out just trying to meet the need in their own churches, plus trying to help the local food banks. They really need the commodities, and they also need the administrative support.

The authorized level for administrative support is \$60 million. Your budget provides \$50 million. I can take you to every food bank in Ohio. There is no fancy carpeting, there is no fancy phone systems, no fancy curtains, no fancy paneling. They are operating right at the edge. And it just seems to me that with the authority that you have and the resources of this great country that we could find a way to help the groups that are already currently on the ground.

That little bit of administrative support goes such an incredible way on the ground, and we even have trouble. I have had to be involved myself, for the first time in 18 years, in helping our community ask for donated commodities to fill up the local food banks because they did not have enough food.

So I can guarantee you that in places like Ohio, I will tell you what I would use. I would look at the unemployment statistics, and I would focus the staff at the areas of the country that have had the greatest washout. It is there where the need is the greatest.

TEFAP is one resource that we have. Another resource we have, obviously, is WIC, and I just want to read you a few sentences from a local story here this year from my main home county, Lucas County. ``The line of mothers waiting for help feeding their children keeps getting longer in the hallway outside the WIC office in Toledo. The director of the county's WIC Program said, `In January, it was just insane.' He said, `At the start of the 2003 fiscal year last October, Lucas County's WIC Program reported the highest number of participants in history.' ''

Since 1997, WIC's caseload has increased 17 percent to more than 14,000 participants in my home county.

Now, I am just trying to say, with the authority you have, if you could target it to the areas where the unemployment is highest and where this need is growing both for food, for the administrative costs to help collect and deliver it, that would be a very worthy expenditure of time and analysis by your staff.

We asked the FSA when they were up here, for where the farmers were not going to meet the deadline, to reassign staff, to look at staffing, to handle the administrative side of this. I do not want to get in a big budget debate here. I know that in terms of TEFAP, the amount being spent is less. I mean, the numbers are there. They are black and white, but the point is the need is growing at the local level.

That TEFAP Program, the WIC Program, the Food Stamp Program, those are life lines, and if you could target it, maybe certain areas from where we have troops deployed, some of the wives are going to qualify for WIC. I mean, you might want to check. Members of Congress can give a good read on the needs in their areas, but I do not think that the budget is adequate, in view of the unemployment rising, and the severe need at these food banks and delivery sites.

So I am just asking your special attention to this. Maybe you can find a way to fix it.

Mr. Bost. Well, Ms. Kaptur, I think it is important to note that, as far as WIC is concerned, we do look at making specific adjustments based on caseload growths in States.

That is one of the reasons that I am really pleased about

the President's budget request. We have been averaging about 7.6 million participants. The amount requested will serve up to 7.8 million participants, along with a contingency fund of \$150 million that would serve an additional 200,000 persons. And so, in terms of the WIC Program, we are already doing some of the things that you asked for.

In terms of the administrative authority for TEFAP, we are already in discussions with OMB because we believe that we do have the authority to move an additional \$10 million into that account to address some of the administrative costs that the state agencies are having to deal with, and so we are already addressing that issue, too.

My staff gave me this note, and I am happy to report to you, that TEFAP goes to States based on unemployment and poverty levels already. I think that we can continue to look at those given circumstances that are currently occurring right now, but we already do that.

I am also very pleased to report, too, that on ``60 Minutes'' this past Sunday, they were doing a report on a person who is in the Reserves, and their family's income had decreased, and the woman did make note that she was accessing WIC.

WIC is there to meet the needs of people that require our services. I was really pleased to hear that as a part of the story.

Ms. Kaptur. Thank you, Mr. Chairman.

And, first of all, I appreciate the Secretary's sensitivity to what I am asking, and we will fight the OMB battle with you.

Mr. Chairman, I ask unanimous consent to put the article from the Cleveland newspaper, ``Plain Dealer,'' and ``The Toledo Blade'' in the record, please.

Mr. Bonilla. Without objection, they will be entered into the record.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

WIC PROGRAM

Mr. Bonilla. Mr. Bost, just to follow-up briefly on the line of questioning that Ms. Kaptur brought up. It is a very good subject to bring up regarding WIC. Very simply put, does the budget request fully fund anticipated needs at WIC?

Mr. Bost. We believe that it does.

Mr. Bonilla. Thank you.

Mr. Hinchey.

Mr. Hinchey. Well, that is a controversial issue. The history over the last budget year indicates that there was a series of problems with the funding levels; is that not true? Did we not have to----

Mr. Bost. Not to my knowledge.

Mr. Hinchey. Not to your knowledge?

Mr. Bost. Maybe prior to me becoming Under Secretary, but not since I have been here, if it has.

Mr. Bonilla. Mr. Hinchey, also just to point out that, with the contingency fund that they had, they never even had to use

any of that money.

Mr. Bost. There was no contingency fund in fiscal year 2002.

Mr. Hinchey. 2002.

Mr. Bonilla. I would just point that out.

Mr. Hinchey. I am talking about 2002. The budget of 2002 is what I was referring to.

According to the information I have, the WIC Program had a rough time in 2002. Funding had to be increased in the regular bill, and then in the December supplemental, and once again the July supplemental.

Mr. Bost. There was a supplemental that included the WIC Program, but I think my point is that we addressed the need of people who required the service.

With this budget, as I have said, we have been averaging about 7.6 million participants, and there is money appropriated to serve up to 7.8 million persons. It is unprecedented that the President has requested persons a contingency fund so if we go above that, there is money to address anybody that may need the services if we go beyond 7.8 million participants. I think that is unprecedented.

Mr. Bonilla. Now, if you would yield, Mr. Hinchey, that spike in need after September 11th was what this was addressing. It was not a routine shortfall that occurred. So that is what the supplemental was designed to do--simply address the----

Mr. Hinchey. But there were two supplemental appropriations.

Mr. Bonilla [continuing]. The increase after September 11th.

Mr. Hinchey. And that increase after September 11th, which was occasioned by September 11th, had to be increased twice?

Mr. Bonilla. The answer is, yes, Mr. Hinchey, because there was an economic decline as well that we had to deal with at that time.

Mr. Hinchey. Sure. Yes. So the two supplementals were in response to that situation because of the economic circumstances.

Mr. Bonilla. Yes.

Mr. Hinchey. And you agree?

Mr. Bost. Yes. But it is also important to note, Mr. Hinchey, that we have not turned anybody away. That if they required WIC services, we have met their needs.

Mr. Bonilla. That is right.

Mr. Hinchey. I am not suggesting that. That is very critical. That is critically important. I do not know of any case where anyone has been turned away, and you have met the needs as they have materialized, even though it is sometimes difficult to anticipate those needs accurately because of changing economic circumstances, and that is very understandable, of course.

This year's budget, you are requesting a slightly lower amount for WIC; is that correct?

Mr. Dewhurst. No, we have requested a budget increase.

Mr. Hinchey. A budget increase requested for WIC?

Mr. Bost. Forty-three million.

Mr. Dewhurst. Yes, in order to provide for a participation

level of up to 7.8 million participants and provide for a contingency fund to cover any unanticipated increases in participation the fiscal year 2004 budget includes an increase of \$43 million.

Mr. Bost. Over last year.

FOOD STAMP PROGRAM

Mr. Hinchey. Okay, good. And there is also a budget increase requested, a significant one, I think, for the Food Stamp Program.

Mr. Bost. That is correct, and a contingency of \$2 billion for the Food Stamp Program.

Mr. Hinchey. A contingency of \$2 billion?

Mr. Bost. Two billion dollars, yes. So in case we exceed what we anticipate, there is a contingency fund of \$2 billion that would be used to make sure that we address the needs if participation increases beyond the 21.6-million monthly average that we think we are going to need to cover.

Mr. Hinchey. What are you basing that on, the anticipated increase in both WIC and Food Stamps?

Mr. Bost. We look at trends in unemployment, at economic indicators and the information we get from the States.

Mr. Hinchey. So you think that, basically, in terms of the economic indicators that you are looking at, there will be a higher demand for those programs over the course of the next year.

Mr. Bost. Yes, and we have seen an increase over the course of the last past year. We are thinking with what is going on in terms of the country's economy, along with our outreach efforts, and along with the number of people that are currently eligible to participate in the programs, we are anticipating an increase. We have enough money to meet that need, and there is a contingency fund if participation increases beyond our estimate.

Mr. Hinchey. Good. Thank you very much.

Mr. Bost. Thank you.

Mr. Hinchey. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Hinchey.

Mr. Farr?

Mr. Farr. Thank you very much.

NUTRITION SERVICE PROGRAMS BENEFITS FOR IMMIGRANTS

Let me tell you about a situation that I learned of when I was home last weekend. It is typical in our area. We have the worst housing crisis in America.

One of my staff was telling me about a case where this woman has a green card. She has three children. One of them is one month old, one of them is about three years old, and the other is about seven years old. She is living in her car. The social worker who she has been dealing with meets with her in a parking lot of a fast-food service or Safeway store.

What could I tell her about the ability to get access--what does she have to do to get WIC, to get the school--the child care center? I think her three-year-old is in the United Farm Workers Center, and her seven-year-old goes to the Caesar

Chavez Elementary School. It is a public school, which qualifies for these programs. I do not know if it has a School Breakfast Program.

But what does she have to do to get her kids into those respective programs--into WIC, into the child care center feeding program and into the elementary school's Breakfast and Lunch Program?

Mr. Bost. Roberto?

Mr. Farr. And she has limited English, too.

Mr. Salazar. Mr. Chairman and Congressman Farr, she clearly needs to visit her local WIC clinic as soon as possible so that she can engage in the services of that program for the youngest of her children.

Mr. Farr. She is eligible for that?

Mr. Salazar. Given the limited information you have provided me I believe so.

Mr. Farr. Even though she is not a citizen? She has a green card.

Mr. Bost. She is still eligible.

Mr. Salazar. She is still eligible, Mr. Farr.

Mr. Farr. Her children were all born in the United States. They are all American citizens.

Mr. Salazar. They are definitely eligible for those services, inclusive of the School Lunch Program.

Mr. Farr. Would she be if her children were born in the United States, and she was undocumented, she still is eligible for WIC?

Mr. Bost. Yes.

Mr. Salazar. Yes.

Mr. Farr. Okay, how about the other two kids?

Mr. Salazar. Those children are eligible for the School Lunch Program that is provided by the school.

Mr. Farr. Only if that school has the program.

Mr. Salazar. That is correct, sir.

Mr. Farr. So we only feed kids in schools that are eligible, not kids that are eligible.

Mr. Salazar. We feed kids in schools that participate in the National School Lunch Program. All schools are eligible.

Mr. Farr. So our ability to feed hungry people depends on going to the right school.

Mr. Salazar. There are 91,500 schools in the country that currently participate in the National School Lunch Program.

Mr. Farr. Yes, but not all hungry kids are in schools that have the program.

Mr. Salazar. We believe, Mr. Farr, that virtually all kids are in schools that participate in the School Lunch Program.

Mr. Farr. So that both the child care center, which is a nonprofit, they have to qualify?

Mr. Salazar. That would be through our CACFP program, Mr. Farr.

CHILD NUTRITION PROGRAMS REAUTHORIZATION

Mr. Farr. What I am trying to point out in all of this is why do we not--this is in the same town, Salinas, California, county seat. Why can we not just, we have the data. I mean, the data was that the WIC center has to qualify, the child care

center has to qualify, and the school has to qualify. And I am sure that the data that makes those entities, institutions, qualify is historical data.

So why do we not begin a way of making this more money on the ground to feed more kids, rather than a bureaucracy that administers three separate programs? And even in that, the Elementary School Lunch Program is different than the Elementary School Breakfast Program.

Mr. Bost. Mr. Farr, as a part of the Child Nutrition Programs reauthorization, we are looking at that. Given the three very specific programs that you described, I do not know if I can tie all of those together, but I think that I can tie at least two of them together in terms of some ideas that I have as we get into reauthorization of these programs.

Mr. Farr. I think you have the passion. I would appreciate an answer. When OMB writes your department and asks what you think on these budgets, if it is not sufficient, that you would say, ``Damn right, veto the bill.''

See, the sociology, we go and do this case work, and it is really difficult to tell people that are sort of at risk and do not have the sense about how to do all or have to go all over town to qualify for those programs. It would make it a lot easier.

The Government is creating the problems, and then we talk about how we are meeting the needs, and I do not think we are meeting the needs. Because if that kid was not in the right school district or that child care center did not happen to qualify under these complicated things that I read earlier, these kids would not get served.

I am going to work with you because I would like to even see if we could do some demonstration programs, maybe some pilot programs, where we combine all of these in a community like that and say, ``All right, we will give you a lump sum of money. You make the biggest bang for the buck for it,' ' and we want to be totally accountable on all of the reasons you want to be accountable. I am all for that, but we have got to make it a lot easier.

We do that with all of the other programs that we put out there. It is just that we make the nutritional programs, I think, ungodly complicated to qualify for. I will put my other questions in the record.

Mr. Bost. Mr. Farr, I want you to know that I am very sensitive to your concerns. One of the priorities that I established, as we go into reauthorization, is to look at what we can do to streamline our programs, and especially to streamline access to these programs, but I do not want to mislead you. There are some challenges there, but we are going to take I think a pretty good stab at it.

Mr. Bonilla. Thank you, Mr. Farr.

Just as a general observation, there is some responsibility still, Mr. Farr, and I am sensitive to what you are saying. My background, there are a lot of farm workers in my family, and I come from a situation where we even had to live in a trailer in my grandmother's back yard for a while growing up, five kids in the family. If we are feeding three out of four kids in a particular family via the Federal Government, I think that is a pretty incredible accomplishment, and we are feeding a record

number of children via WIC, via the School Lunch Program.

So I, instead, would look at what we do in this country and say, man, we set the standard for feeding and taking care of people who are eligible, and we are not turning a single person away.

And when we also look at the immigration policies of Mexico, which is a great friend of ours, and I have an area along the border that is almost 800 miles, and we work very closely with Mexico, but their policies in their country are to shut the door on immigrants coming in from the South and to not provide one iota of service for any child that comes from a country that tries to enter their country.

And, quite frankly, in comparison to that, we provide an incredible amount of services to folks that, in some cases, are not even American citizens, which we should take care of these innocent kids that are out there, but I think it is certainly a different way we should look at this glass as being more than half full and not partially empty.

Mr. Farr. The only difference I have with that is, remember, it is the institutions that qualify. It is not the children. They have to be in the right catchment area. They have to be in that elementary school district.

Mr. Bonilla. I understand. I did not mean to get on my soap box, but I just wanted to make that observation.

Mr. Hinchey.

Mr. Hinchey. Thank you very much.

Mr. Bonilla. I am sorry, did I go out of order?

Okay, Mr. Hinchey. Sorry about that.

Mr. Hinchey. Thank you, Mr. Chairman.

ELECTRONIC BENEFIT TRANSFER PROGRAM

Mr. Bost, there is an Electronic Benefit Transfer Program for the WIC and Food Stamp Program. There is a pilot program in New York to bring this technology to open air farmers' markets. I am not sure if it is operating in other States as well, but the purpose of the pilot is to allow the purchase of food products with WIC and food stamps EBT cards at farmers markets where there are no electricity hook-ups, and they cannot use those machines.

Mr. Bost. That is correct.

Mr. Hinchey. The markets are testing is a device that allows that economic transfer to take place. Can you give me some idea where that is?

Mr. Bost. Well, New York received a grant.

Mr. Hinchey. Pardon?

Mr. Bost. I went to New York City and delivered a grant to look at refining and perfecting this technology so that we could look at spreading it out across the country. So right now the project will start in New York City. There are a couple of other locations around the country, but they are still using scripts, and so hopefully our shining star is going to be New York City, in terms of working out the kinks of this program.

Essentially, a number of cities and States are interested in using it, but they want us to pay for all of it, and we do not have the resources available to do that.

What we have said is that we will work with them in

partnership to help them. But I actually went up, delivered the grant, actually saw how it was demonstrated, and talked to some customers. They loved it. I actually talked to some providers and vendors, and they love it. So right now it is in New York City at a farmers market there.

Mr. Hinchey. Can you give me some idea about the extent of its operation in New York City and if you plan on bringing it somewhere out of the city, Up State or----

Mr. Bost. We are hopeful to bring it to other locations, but that is going to depend, more than anything else, on the actual cost and actually how much it is going to cost for us to do that, but I think we are into essentially the second generation of doing it. There were some glitches, in terms of the actual operation of it, and that is why New York got a grant to try to work on it. We are going to evaluate it, and then we will make some determinations of where we need to expand it. But, essentially, New York is our test case for doing this.

As Suzanne has whispered to me, it is going to be a question of cost, because it is not the cost of the telephone lines themselves, but the little hand-held device and getting people enrolled.

When I was there, we loaned those hand-held devices to the farmers. It is a question of whether there would be enough money to actually buy them for everybody because we would not want to exclude anybody who would be interested in participating in the program. If we were to do that, then it would increase our costs significantly.

We are looking at all of those factors, but I do want to close by essentially saying this: It is a wonderful initiative, and it works exceptionally well. And the clients who are accessing it, they actually love it, and the farmers like it.

Mr. Hinchey. And the principal cost associated with it is for the purchase of the machines.

Mr. Bost. Well, it is the purchase of the machines and the infrastructure technology it takes to operate it.

Mr. Hinchey. Through the purchase of the machines.

Mr. Bost. Right. It works on the same basic system as returning a rental car and the person comes out and does it.

Mr. Hinchey. Right.

Mr. Bost. Same basic principle.

Mr. Hinchey. Yes.

Mr. Bost. But it is a question of cost. Everybody loves it, but no one wants to pay for it.

Mr. Hinchey. That is odd. I have never heard that before.
[Laughter.]

Can you give me some idea about what the cost actually is.

Mr. Bost. We will have to get that information for you.

Mr. Hinchey. Not right now, you probably do not have----

Mr. Bost. No, we will have to get back to you, but we can do that.

Mr. Hinchey. Okay. Good. I appreciate that. Thanks very much.

Mr. Bost. But I think the grant that New York received was \$100,000.

Mr. Hinchey. And if you could get me some information on what that grant has actually purchased and how it is working, I

would appreciate it.

Mr. Bost. We can do that, not a problem.

[The information follows:]

At this time, there is no EBT capability for the WIC Farmers Market Nutrition Program (FMNP).

New York State and the Farmers' Market Federation have received a \$100,000 grant from FNS for the Food Stamp Program wireless EBT demonstration projects in New York City and western New York State. The Federation will spend \$86,000 for the purchase of 60 wireless point-of-sale (POS) terminals and payment of associated operating costs for these terminals. In addition, the grant will also be used for operating costs associated with the 40 POS terminals procured under an older USDA AMS grant for farmers' markets within New York City.

The Federation will also spend \$13,400 for promotion, outreach, and education about the project, targeted at food stamp recipients living near markets attended by farmers and vendors participating in the project, and for assistance to participating farmers' markets.

The following is the Federation's proposed breakout of the \$100,000 FNS grant for the wireless EBT demonstrations at New York farmers' markets:

60 Points-of-Sale (POS) terminals @ \$995 (western NY).....	\$59,700
60 POS terminal activation fees @ \$35 (western NY).....	2,100
100 wireless access charges @ \$12/mo for 8 months (western NY)	9,600
Transaction fees @ \$100/8 months 100 farmers/vendors	10,000
Statement fees @ \$5/mo 8 months 100 farmers/vendors.....	4,000
Shipping fees @ \$20/terminal 60 POS terminals.....	1,200
Project promotion, outreach, and education programs.....	13,400

Total.....	100,000

Mr. Hinchey. Thank you.

Mr. Bonilla. Mr. Hinchey, did you have any additional questions?

Mr. Hinchey. No, Mr. Chairman, that is it.

Mr. Bonilla. Thank you very much.

I think we have Ms. Kaptur and Mr. Farr have one more round that they would like.

So, Ms. Kaptur?

Ms. Kaptur. Thank you, Mr. Chairman.

WIC AND SENIOR FARMERS' MARKET NUTRITION PROGRAMS

I wanted to turn, Mr. Secretary, to the Senior Farmers Market Nutrition Program. And I appreciate the Department's attention to this in past years. I understand that the farm bill did provide you with \$15 million in mandatory funds for this program and that total applications received thus far have totaled at least \$30 million in the Agency.

At least this member believes that the Department has discretionary authority to ask for the remaining funds to meet

the need that has been requested, and I am interested in whether you plan to submit a supplemental for that, and also whether you have reviewed your Section 32 authority and the availability of the CCC as ways to provide the additional support for this program that is quite effective.

I have seen it operate in Ohio now in supporting our seniors to get fresh fruits, vegetables and herbs directly from producers. So it is income in the pocket to our farmers. For a long time, Mr. Secretary, I have been complaining that the production side of agriculture did not relate to the consumer side, and this is definitely a program that is a win-win for hungry people, for people who are ``undervegetated'' and ``underfructed,'' and also direct income to producers, particularly around our major urban areas, where we have some of our small family farmers still remaining, our truck farmers who do not get any Government subsidy through our regular crop subsidy programs.

So I am very interested in what you might be able to report on this program.

Mr. Bost. Ms. Kaptur, it is an exceptionally popular program. It is popular from the vantage point of customers and consumers who utilize it and also from the farmers and the farmers markets who participate in it. The Farm Bill explicitly funded it through CCC.

I do not know, and I will have to sit down and talk with Mr. Dewhurst and also OMB about the additional authorization that we may have regarding Section 32.

Ms. Kaptur. All right.

Mr. Bost. But that is something that I can talk with them about.

[The information follows:]

The Food and Nutrition Service has consulted with the Office of Budget and Program Analysis and the Agricultural Marketing Service regarding the availability of Section 32 funds to provide supplementary resources for the Senior Farmers' Market Nutrition Program (SFMNP). Our review of the statute, as well as related Office of General Counsel decisions, clearly indicates that the Secretary does not have the authority to use Section 32 funds in the SFMNP. The SFMNP operates on the basis of grants to States. USDA is not authorized to use Section 32 funds for the purpose of grants to States.

Ms. Kaptur. I do not know if you, in your responsibilities, have ever had a chance to go to one of these markets----

Mr. Bost. Yes.

Ms. Kaptur [continuing]. Where the seniors are redeeming these coupons.

Mr. Bost. Absolutely. Ms. Kaptur, I have been to regular farmers markets, WIC Farmers' Markets, and Senior Farmers' Markets. I travel the country to look at our programs so that I can talk about them firsthand, in terms of how they are working and the types of things that we can do to improve them, and the feedback we are getting from people that participate in them.

Ms. Kaptur. Right. So you know their impact, personally. You have seen it firsthand.

Mr. Bost. I know how popular they are. But I also realize the challenges that we have in terms of establishing priorities to manage all of our programs.

Ms. Kaptur. Why do you think that there is a 90-percent redemption rate on the Senior Farmers' Market Nutrition Program, and the redemption rate on WIC is much less? Do you have any observations on why that might be true and how we can up the WIC coupon purchases at our farmers' markets across the United States?

Mr. Bost. We will answer your question further, but I think the anecdotal information that we have that competing responsibilities that parents have, in terms of transportation, in terms of having to address issues with raising children, and families, and infants, and seniors tend to not have to deal with those types of competing problems. And that is just only anecdotal information that we have about it. If there is additional information, we will pull it together and send it to you.

[The information follows:]

There are many factors that explain the disparity in redemption rates between the FMNP that serves WIC participants and the Senior Farmers' Market Nutrition Program (SFMNP) that serves low-income seniors. Some of these factors are as follows:

Employment status--many WIC moms are employed during the times that markets are in operation; whereas many seniors are retired.

Child care--WIC moms either have to bring their children to markets or arrange for child care; whereas most seniors are not primary caregivers for young children.

Transportation and supporting services--seniors, through the effective efforts of local Agencies on Aging, have access to a greater array of services, including transportation, that allow them greater access to markets than their WIC counterparts.

Experience and food preparation skills--seniors have greater experience in shopping for and preparing fresh fruits and vegetables than young WIC moms.

Steps that could be taken to improve the redemption rates of FMNP participants might include the following:

Encouraging markets to set up operations in urban neighborhoods close to WIC clinics.

Encouraging markets to expand hours of operation or to adopt a weekend schedule.

Working with volunteer organizations to provide transportation and child care services on specified days to allow moms to go to markets.

Developing nutrition education programs that focus on shopping for fresh fruits and vegetables and how to prepare them for family meals and snacks.

Steps to increase FMNP redemption rates would, of course, require resources that are not available to all programs in all communities. It should also be noted that while the FMNP has an average redemption rate of around 60 percent, most States expend 80 percent or more of their program funds by taking redemption patterns into account when issuing coupons to

eligible recipients.

Ms. Kaptur. I would really encourage you, Mr. Secretary, and somebody there on the staff or some brilliant intern that you might be able to attract, to really look at the programs under your jurisdiction that could directly benefit income to farmers. These obviously are two. When they purchase right there, the farmer is able to transact business.

MEETING THE PRODUCTION PROGRAMS

And, also, I think Congresswoman DeLauro made mention of the Small Farm School Meals Initiative, where we have been trying so hard to help local farmers who are diversified farmers, family farmers, provide product right into the School Breakfast and Lunch Programs, which has been a real challenge, but nonetheless here is another area where the nutrition side of ag can relate to the production side.

And I think it might be very interesting, I have never seen a real comprehensive review--I do not want a 400-page document, but a paper--of where the programs under your jurisdiction could more effectively meet the production side of agriculture, particularly our small farmers who are diversified, minority farmers around the country.

It has been amazing to me to go through communities, and I mean nobody ever thanks us for the payment programs. It has almost become a way of life. These programs farmers say, ``Something from Washington finally helped our family earned from the market.'' It has been amazing.

And so I know their power, and I think part of the problem has been, in the past, that the nutrition side of agriculture just never really asks the question how do we relate to the people producing the food, even though you are part of the Department of Agriculture.

Mr. Bost. Ms. Kaptur, I want to assure you that not only have we started to ask the question, but we have also started to do something about it. As I said earlier, when I was responding to Ms. DeLauro's question, the pilots in North Carolina and Florida, have had success with the Farm-to-School Programs. The Seniors Farmers' Market Nutrition Program and the WIC Farmers' Market' Nutrition Program are also good examples of the agency trying to ensure that we address the link that you are speaking to.

We have one more idea that we are going to talk about during reauthorization of the Child Nutrition Programs that we are going to put on the table, that we believe will continue to support our activities. And so we have not only just asked the question, but we have taken some steps to address it.

[The information follows:]

The Nutrition Assistance Programs are working to increase the connection to production agriculture in a variety of ways. For example, the farm-to-school and the garden-to-school programs are helping to encourage schools to work with local producers to supply fresh fruits and vegetables to everyone's benefit. We also promote farmers' markets through the WIC Farmers' Market Nutrition Program and the Seniors Farmers'

Market Nutrition Program, not to mention that farmers' markets, roadside stands, eggmen, and other direct to consumer retailers can become eligible to redeem food stamps. Farmers' markets are also supported in the nutrition program area as well as by Agricultural Marketing Service initiatives. We are working on wireless communications to make it possible for producers to economically continue to redeem food stamp benefits via the electronic benefit system. Also, the Department has increased its efforts to purchase fruits and vegetables with funds available to the commodity portions of the programs. And further, Child Nutrition Program providers have been encouraged to purchase more fruits and vegetables, consistent with the recommendations of the Dietary Guidelines for Americans. Finally, through commodity purchases that are made under farm support programs, the Department works closely to link the nutrition assistance and producer assistance missions through such programs as the National School Lunch Program, The Emergency Food Assistance Program, and the Commodity Supplemental Food Program.

Ms. Kaptur. Very well. Thank you.

Thanks, Mr. Chairman. I just wanted to also say I know this is our last hearing, and I want to thank the chairman for being very gracious to our side of the aisle and being very consultative through the whole process.

I also want to thank the staff for the good job that they have done on preparing us to help make our country a better place in which to live. And we really look forward to your answers, Mr. Secretary, on some of the questions that we have discussed this morning.

I will turn it over to my colleagues if they have any additional questions.

Mr. Bonilla. Ms. Kaptur, I could not agree with you more. The staff for this subcommittee, they are real pros.

Ms. Kaptur. Yes.

Mr. Bonilla. And they are a real joy to work with, and I am glad you brought that up.

Mr. Farr.

ADMINISTRATION OF FOOD NUTRITION PROGRAMS

Mr. Farr. Thank you, Mr. Chairman. I want to also thank you very much. This is what I think we got elected to come here to do, is part of the oversight and approving these budgets, and I find it a very stimulating opportunity. I wish we actually had more time to do it all.

I am going to submit some questions about the Buy American. We have a requirement to buy American and now a requirement of origin labeling, and those two might come together. And I also have some questions about the DOD request for fresh produce requirements.

I sort of gave you the last case issue about the problem of the family on the ground. I know that in the budget the administration has come in and asked to tighten the eligibility requirements and essentially to give more proof of income and more proof of living arrangements and so on.

I mean, the difficulty in a lot of the poor communities is

that the living arrangements are much--there are a lot of people living in one house, illegally. But if you go and tell where you live, we had this same thing when we had FEMA try to come in, they are not supposed to be living in there because the landlord denies that they are living there because the landlord does not want to get in trouble. Some of these people are undocumented, so they do not want everybody to know where they are. And some of those living arrangements are very difficult to define in rural areas, particularly in agricultural areas.

So the other side of the coin is, as these regulations are going to be written, and you are going to be involved, is how do you administer the regulations? Because reading some comments by school employees in large school districts, there is one that I read that has 44,000 lunches a day.

I was thinking, you know, in California we have schools are going to cut back because of our crisis out there, and I will bet the first people they cut are going to be the people that are supposed to monitor the School Lunch Program. So you are going to have less enforcement if we keep the regulations as they are.

But how do you manage 44,000 lunches a day, and those people have changing income. They might be Welfare to Work and they get the job or they might be employed well and now they are unemployed. How do you manage all of that? I mean, it seems to me that we have put too much emphasis on accountability on each kid, rather than, as you said, because your testimony has all been about we want to feed hungry kids. We want to provide the nutrition that is necessary in America.

Yet our regulations, and even the administration's requirement, is that we ought to tighten this up, that we have to make it tougher. I do not see how we are going to get there from here. So how are your regulations going to be able to manage like that 44,000 lunches a day?

Mr. Bost. Mr. Farr, we are always interested in ensuring that we maintain or work toward maintaining the highest level of integrity in our programs.

But specifically for the National School Lunch Program, and the President talked about it in his budget request, is the fact that we believe that there are some things that we were able to do that are going to accomplish two goals: One, improve integrity in our programs and not inhibit or prevent access to eligible children being able to participate during the course of----

Mr. Farr. Is there going to be an appeal process? I mean, if I hear in my district that that, indeed, is not happening, what do I do, come to you?

Mr. Bost. It will be dealt with on the local level.

But, Mr. Farr, I truly believe that I am going to be able to put something forward that is going to address both of those guiding principles that I laid out earlier in terms of ensuring that we maintain integrity, but also ensuring that we make access to eligible persons easier.

Mr. Farr. In ensuring integrity----

Mr. Bost. Yes, sir?

Mr. Farr [continuing]. We have a lot of other ways that we do that. We have Enterprise Zones, and I am sure there are

wealthy people that live inside Enterprise Zones, but we do not ding the Enterprise Zone for that. We have Welfare to Work Programs, and we have other areas.

What I find is our need to be accountable for each of our programs ends up making us into accountants and cops, rather than into social workers, and teachers, and child nutritionists. I think that is what this committee and the Congress would really want us to do.

And I know we write some tough laws sometimes, but as the administrator of the law, I would hope that you come in and help us rethink what has been these sort of layers of categorical programs into trying to reinvent the whole program and come back with a better way in which we are doing it. I think that would be something that this year in Congress, and certainly under your administration, we would be very proud of, and I look forward to working with you on it.

Mr. Bost. We look forward to working with you, also.

Mr. Bonilla. Thank you, Mr. Farr.

Mr. Bost, thank you for your excellent testimony today and to all of the good folks that you brought with you this morning. It has been a good hearing, and I am delighted that the members felt that they had a good exchange.

We look forward to working with you as we put our bill together this year. We still have to get a budget number. We still have to get 302(b). We are working on that as we speak, but I anticipate, as we have in the past on this subcommittee, working together to try to get a good bill that the entire subcommittee can support as we move forward.

So work with us, and we look forward to doing so as we move ahead in this process.

Mr. Bost. Mr. Chairman, thank you, and all of the members of the committee. I really look forward to working with you, also, and I am happy that it is over.

Thank you. [Laughter.]

Mr. Bonilla. The subcommittee stands adjourned.

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Wednesday, March 19, 2003.

RURAL DEVELOPMENT

WITNESSES

THOMAS C. DORR, UNDER SECRETARY FOR RURAL DEVELOPMENT
ARTHUR A. GARCIA, ADMINISTRATOR, RURAL HOUSING SERVICE
LUIS LUNA, DEPUTY ADMINISTRATOR, OFFICE OF COMMUNITY DEVELOPMENT
HILDA LEGG, ADMINISTRATOR, RURAL UTILITIES SERVICE
JOHN ROSSO, ADMINISTRATOR, RURAL BUSINESS-COOPERATIVE SERVICE
STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

Introduction of Witnesses

Mr. Bonilla. The subcommittee will come to order. We are delighted this morning to have before us Mr. Tom Dorr, the

Under Secretary for Rural Development, making his first appearance before this subcommittee. We welcome you, Tom.

Also appearing before the subcommittee for the first time today are Mr. Art Garcia, Administrator of the Rural Housing Service, and Mr. Luis Luna, also for the first time, Deputy Administrator for the Office of Community Development. But back with us for a second time is Ms. Hilda Legg, Administrator of the Rural Utilities Service, and Mr. John Rosso, the Administrator of Rural Business Cooperative Service, and of course Steve Dewhurst is joining us also this morning.

Mr. Dorr, we welcome your testimony today as well as those of your associates, who administer so many of these projects that are in some cases more important than any other projects in members' districts that have these economic issues and problems to deal with, and we are looking forward to your testimony.

When Ms. Kaptur arrives, I will yield to her for opening remarks. I am told she is on her way and will be here shortly. We have upwards of half a dozen simultaneous subcommittee hearings on appropriations going on this morning, and a briefing by Homeland Security Director Ridge that is going to happen later this morning as well. So members will be coming in and out as you present your testimony.

Ms. Kaptur has just entered, so Ms. Kaptur, would you like to make some opening remarks, or would you like to have the testimony and then do your remarks?

Ms. Kaptur. I will just make a brief statement.

Mr. Bonilla. All right.

Ms. Kaptur. I wanted to welcome the Under Secretary and all of your associates, and to say that we certainly view the Rural Development programs as vital to the sustenance of the agricultural communities across this country. I suppose it is not unusual that we had a John Deere Tractor in the reflecting pool this week. [Laughter.]

And I sort of like the Under Secretary's idea that some of the investments in rural America are indeed--you can look upon them as venture capital.

The shortfalls that we have had in so many accounts over the years, particularly water and sewer, continue to be a problem, a backlog, and we will talk about that more during the question period, but if ever your intelligence and commitment was needed to sustain rural America and help her earn from the market, rather than from the Government, it was never more needed than now. So we welcome you and look forward to your testimony.

And thank, Mr. Chairman. I apologize for being late. Because of the situation outside, could not find a way into the Capitol today. [Laughter.]

Mr. Bonilla. Well, these are difficult times for all of us, not only with everything going on, but logistically, trying to get around this place is harder than ever.

Mr. Dorr, your statement and the statements of your administrators have all been entered into the record, so if you would like to make some opening remarks and highlight your statement, that would be great, and at this time I turn it over to you.

Opening Statement

Mr. Dorr. Thank you, Mr. Chairman, Ranking Member Kaptur. I appreciate the opportunity to be here. It is obviously a difficult time in the course of our Nation, so the fact that we have the opportunity to get together and discuss these issues, I think we are all appreciative.

Again, thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I appreciate the opportunity to come before this committee to present to you the President's fiscal year 2004 budget request for USDA's Rural Development.

This is my first opportunity to appear before you as Under Secretary for Rural Development, and I am honored by the opportunity President Bush has given me to serve my country and to assist him in directing Federal resources to help rural America grow and prosper in an ever-changing environment.

My own roots in rural America run deep. For all but 9 years of my life, I have lived, worked and enjoyed life on a farm in Northwest Iowa, and I am appreciative for the values these experiences have instilled in me.

I come to work each day determined to apply those fundamental values and life experiences to renew the energy and belief in all of rural America. This sensitivity and belief in ourselves, not just as an agency or department, but our belief in the good people of rural America will drive all our efforts in Rural Development.

The President's 2004 budget proposal is key to economic revitalization in rural America. It strongly supports our vision of Rural Development as rural America's venture capitalist. Rural Development provides equity, liquidity and technical assistance to finance and foster growth in existing and new opportunities for home ownership, business development and critical community and technology infrastructure. The return on this equity is the economic growth realized through direct assistance and incentivizing private market forces. It is with this vision in mind that Rural Development's mission has been designed to deliver programs in a way that will support increasing economic opportunity and improving the quality of life of all rural residents throughout rural America.

OVERVIEW OF PROGRAMS

Historically, Rural Development has been associated with the old Farmers Home Administration, the lender of last resort. However, in order to properly address these mission goals, it was important to recognize the changes that have occurred throughout rural America. With a renewed sense of understanding and purpose, Rural Development must, as rural America's venture capitalist, utilize the tools and resources at hand to support new economic growth opportunity in rural America.

Through Rural Development's Rural Housing Service, Rural Business-Cooperative Service, and Rural Utility Service, we offer a multitude of programs with a common vision to support economic development. While they may be traditional in name, they must be used in new and innovative ways, and work as one

to support the Rural Development mission.

RURAL HOUSING SERVICE

Let me share with you a brief overview of the wide range of programs we administer. Our Rural Housing Service forms the bedrock of this Administration's commitment to rural America. The President feels a safe, secure home is the foundation for the family unit, and this is why the President has proposed a 32 percent increase for single-family housing direct loans in his 2004 budget. Owning a home is the oldest and best form to build equity, and we must encourage more families to invest in their future. This investment will help families build wealth, lead to job growth, and create a generation of new economic activity in rural communities. In general we provide loans and grants for single family, multi-family and farm labor housing. We also provide rural community facility loans and grants for municipal, health care, child and adult care facilities, as well as public safety equipment.

The President has set a goal of assisting 5\1/2\ million more minority families in attaining their dream of home ownership by the year of 2010. In order to meet this goal we must be aggressive in ensuring that America's minority families can gain access to the necessary financial resources, and I particularly want to thank this committee for its efforts in fiscal year 2003 that allowed Rural Development to convert \$11 million in unused self-help carryover funds to support \$900 million in guaranteed single family loan funding. Through the good work of this committee, 12,000 rural families will have the opportunity to realize their dream of home ownership, and for that I thank you all.

RURAL BUSINESS-COOPERATIVE SERVICE

Through our Rural Business programs we provide business and industry guaranteed loans. We fund the intermediary relending program which provides capital for local revolving loan funds, and we have aggressively implemented the Value-Added Agricultural Product Market Development grant program. An added focus this year is the implementation of the Farm Bill's Rural Business Investment Program. The \$44 million in grants and \$280 million in loan guarantees, will promote business and job opportunities through local investments. We will need, however, a legislative adjustment to shore up the limited support SBA is able to provide due to other responsibilities. This \$324 million is important to rural America, and we will continue our aggressive efforts to expeditiously implement this program.

And we must look to other potential opportunities for economic growth, such as the development and production of renewable energy here in the United States, which by the end of the current fiscal year we will have invested over \$120 million to support local energy development efforts.

As we implement these business programs we should be mindful of the need to improve business knowledge, skills and give serious attention to business strategies, finance, marketing and decision making that will enable farmers, business and community leaders to lead dynamic, creative

businesses that can succeed.

RURAL UTILITIES SERVICE

In our Rural Utilities programs we support technology infrastructure through rural broadband, telemedicine and distance learning, rural community water and wastewater loan and grant programs, and electric and telecommunications direct and guaranteed loan programs. Our utility programs must focus on supporting the development of data and telecommunications infrastructure that will allow rural America to remain economically viable in a global economy.

I can assure you that regardless of whether we seek discretionary or mandatory funding, the President's commitment to rural America is rock solid. We believe the \$1.6 billion already provided in mandatory spending for renewable energy and broadband development, along with over \$4 billion to support rural home ownership, will promote significant economic opportunities.

It is important to remember that our effectiveness in delivering all of our rural development programs will ultimately be measured by a rigorous standard of accountability. We believe it is essential to be accountable to our Congress, President, and most importantly the rural residents which our programs are intended to benefit.

RURAL COOPERATIVES

In that vein that we have several major initiatives under way. One of our top initiatives is to look at the effectiveness of the current cooperative model for assisting farmers and ranchers. The traditional model was developed with good intentions. However, cooperatives are now struggling to convert the equity and dreams of many rural Americans into the kind of economic opportunity they need and desire. And Rural Development's Business-Cooperative Service group should be at the focal point of this discussion, and we intend to be.

We are also focused on addressing and shoring up our multi-family housing portfolio. There are many converging dynamics relative to the current portfolio, which includes several aging building complexes over 20-years-old. Another focus is to work harder to ensure that the people of rural America are aware of what is available to assist them with their local efforts to increase economic opportunities and improve their quality of life. Simply put, I believe that local communities are cradles of innovation, and if properly encouraged and assisted, they will provide models and vehicles to help all of rural America better address its changing landscape.

Rural communities, much like agriculture, have been undergoing critical changes that are important to their long-term sustainability and growth. The goal of the President and Rural Development is to support these communities and place at their disposal the tools they need to succeed. I know you share this common value and desire to support rural America.

RURAL DEVELOPMENT BUDGET REQUEST

Mr. Chairman, the President's commitment to rural America is reflected in the budget request for fiscal year 2004. The Rural Development request totals \$2.3 billion in budget authority to support 12 billion in direct loans, loan guarantees, grants and technical assistance, as well as to cover associated costs with administering these programs.

In summary, Rural Development and this Administration are committed to supporting efforts to bring economic opportunities and an improved quality of life to rural families and their communities. We appreciate the support this committee has provided to this mission and to rural America. So, at this time the administration and I would be happy to answer any questions that you may have. Thank you very much.

[The prepared statements of Thomas Dorr, Hilda Gay Legg, Arthur Garcia, and John Rosso follow:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

CONSISTENCY PLANS PROJECT

Mr. Bonilla. Thank you, Mr. Dorr, for your excellent testimony. Before we start with questions, I want to commend you on an initiative that you have undertaken to make each Rural Development Office function in a consistent way. I believe you call it the Consistency Plans Project. We have heard some positive reports from a lot of states, and they report that although that this is going to take some work to implement, that feedback is already positive and they are complimenting your leadership and you are already providing a framework and diagrams for how each office ought to work to let them do their jobs again in a consistent way. So we have taken note of that, and I just want to say that before we begin our questions.

OFFICE OF THE UNDER SECRETARY BUDGET REQUESTS

The first question is have is: for the appropriation for the Office of the Under Secretary for Rural Development of fiscal year 2003 was \$640,000. The budget request for fiscal 2004 is \$913,000, which is about a 43 percent increase. Could you tell us why you need this money?

Mr. Dorr. Excuse me. Would you restate that question?

Mr. Bonilla. Sure. At 2003 the Office of the Under Secretary for Rural Development was \$640,000. The budget request for the coming year is \$913,000. So we calculate that to be a 43 percent increase, and we want to know why, what that is for.

Mr. Dorr. If I may, I would like to follow up, and provide a response for the record.

Mr. Bonilla. If you would provide us an answer in writing, we would be happy with that.

Mr. Dorr. We would be delighted to do that.

Office of the Under Secretary Budget Request

The Budget proposes \$913,000 for the Office of the Under

Secretary for Rural Development in the FY 2004 budget, which is an increase of \$277,000 over the 2003 appropriations level of \$636,000. This amount represents the required increase to reach an optimal staffing level and provide the necessary support costs for the work of the Rural Development mission area. The request is representative of those for other mission areas across the Department.

VALUE-ADDED AGRICULTURAL PRODUCT MARKET DEVELOPMENT GRANTS

Mr. Bonilla. Let me move now to the Value-Added Agricultural Product Market Development grants. I did mention to Mr. Latham--he will be here shortly--that this is not in any way--this question is not designed to showcase Iowa in any way whatsoever, but as you see what I am about to say, you are going to see what I am talking about here.

The Farm Bill authorized CCC spending for Value-Added Agricultural Product Market Development grants, and USDA was able to award \$33 million in 2002, but I am concerned about the lopsidedness, the geographic lopsidedness of these grants, and I will tell you why as I outline some numbers here in a second, because if you look at the State-by-State allocation of these grants, they appear to be skewed toward the Midwest, and we are not again trying to disparage anything that is going on in that part of the country, but for example, six states received \$14.9 million or 45 percent of the \$33 million that was awarded. Example, Iowa \$5.6 million; Missouri \$2.8; Kansas \$2.1 million; Minnesota \$2.0; Michigan \$1.2; Illinois \$1.2; and now if you look at how that contrasts to some of the grants awards from the South and one from the Northeast, listen to this, Texas, \$626,000; Mississippi, \$329,000; Georgia \$315,000; Virginia \$308,000; Georgia--I mentioned that one already--Florida \$147,000; Connecticut \$12,500. Six states received \$1.6 million or 5.3 percent of the awards.

Now, again, we are not trying to take anything away from anyone. We just are very concerned about the bulk of these awards going to just one geographic area in this country. What can we do in the South, Southwest, other parts of the country, to see that these things are distributed in a more equitable way, where the 2002 award decisions made at the state level or at the headquarters level? And the final aspect of my question on this subject is, please provide for the record a State by State breakout of the total value of applications received, versus the amount awarded for 2002. So if you would address this big problem that we have pointed out, I would appreciate that.

Mr. Dorr. Of course. First of all, we will provide for the record the information that you just requested. As you know, the program originated in fiscal year 2001 in which we were able to award \$20 million in two \$10 million tranches. That program was a demonstration program. I think people were a little bit unsure exactly how it was going to unfold, and the funds were made available through a Notice of Funds Availability (NOFA) process that was administered at the national level. At the completion of that first year's worth of awards, it was my understanding that there was some concern that we were not addressing all the necessary issues in an

adequate manner. As a result, the Rural Business-Cooperative Service began to aggressively reevaluate the process in conjunction with that program, again, not certain whether there would be a program again, which obviously there is.

One of the things they did for 2002 was to undertake a process by which all of the applications from any State would be first funneled through the State director's office to make certain that those applications were solid applications with regard to the requirements laid out in the NOFA. Once that was done, we hired a contractor to evaluate these applications in an extensive impartial way, their viability, and rank them before they were sent to the national office. The final rankings and decisions were made at the national office, but generally based on the guidance provided by the outside contractor.

This is a new program and clearly there were some differences in how this thing was rolled out. I would simply point out that the first thing we are now doing is developing rules for this program. There is clearly discussion on whether or not this should be a block grant program where each State receives a certain amount of money, or whether we award funds at the national level. My view is that if our intention is to give those entrepreneurial and new opportunities the most effective chance at being successful, we do need national program rules.

Secondly, I think, whether you agree with this or not, there had been an ongoing emphasis on value-added new product development that had been occurring as a result of the original ethanol and biomass fuels initiatives that evolved out of the Midwest. Consequently, I think there were a core number of folks who probably were more in tune with this sort of value-added discussion and initiative at the outset of these programs. I think that as the rules are developed and as the program is carried out, we will probably see a much more balanced array of awards. There are many good ideas all across the country. I have had an opportunity to visit with people in the West who clearly have given this extensive thought, and my sense is that people around the country are now much better prepared to pursue these grants. The competition will be more intense, and as a result I think the dispersion of these grants will probably be far greater than it was last year.

I will be happy to provide information on selection criteria and a State by State breakout of the total value of applications received, as compared to the amount awarded for 2002.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. We will be keeping an eye on that as well, and we appreciate that you will as well.

Just as a final comment, because I am trying to set an example here and keep to the five-minute limit, although I know I am over my time as well, Texas did receive in 2002, 14 applications totaling \$2.7 million, and of those, they were approved for five applications totaling \$625,000. So we are

going to be watching that very closely and we appreciate your attention to this as well.

Mr. Dorr. I appreciate your concern.

Mr. Bonilla. Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman.

I also want to begin with an apology. I have to go across the hall to our other subcommittee, the other subcommittee on which I am number two in seniority on our side of the aisle, and I want to thank the Chairman if he had anything to do with locating the meeting over there so I do not have to run over to the Capitol. It is a big help.

And so I am going to ask my colleague, Mr. Hinchey, if he would take the chair upon my leaving, and then I will come back when I am finished there.

BIOENERGY

Mr. Secretary, I am so glad you are from Iowa, and that is really ground zero for the biofuels development that our country is experiencing. And I visited many. In fact I have a huge picture in my district office in front of an ethanol pump in your State because people in my State think I am at Disney World. They do not think that that really exists in America. So I think you are in a special position to really help us move this industry forward. Lots of other States cannot conceive of what you have already done out there, and I truly do look to your leadership on that, and I will have many questions in my second round in the area of biofuels and bioenergy. My goal, our country's goal should be to displace the \$60 billion worth of imported petroleum, whether it is in Iraq, whether it is in Saudi Arabia, in Kuwait, United Arab Emirates, Nigeria, it does not matter to me. We ought to be energy self sufficient here at home, and I will tell you it has been really hard to get the Department of Agriculture to be a player. She has been shrinking from that responsibility, and if you look at what the administration did with the budget over at Department of Energy, the modest increase in the hydrogen fuel cell research comes out of biomass, and a \$70 million reduction in the biomass accounts over there, and USDA just simply has to change its bureaucratic thinking about this industry. So more to come on that.

BUDGET DECREASE

But in terms of the overall budget, as I read your submission, overall for Rural Development, which is so vital to the future of rural America, it actually is a half a billion dollar decrease cumulatively in the way that we have looked across accounts. Example, in the RCAP program, there is actually a reduction below the 2003 level of \$429 million. The 2003 bill that we passed provided \$907 million. Your request is \$478 million. So it is nearly a half a billion dollar decrease. In Rural Housing, when I know I have, just in my own region, such unmet need, a \$78 million decrease in rural housing. Our 2003 bill provided \$1.57 billion. Your request is for \$1.5 billion in loans.

In Rural Business-Cooperative Service Development another

\$12 million decrease.

In Rural Utilities, which is just an incredible area I would ask you to give particular attention to, another \$33 million increase, and changing from grants to almost all loans, if not all loans, which is a real problem in communities that really do not have the economic wherewithal yet to provide for all the services that are necessary. I would encourage you to look at the backlog around the country and to really do a little econometric study of the backlog and the capability of these communities to pay.

And in terms of the overall loan levels, from your entire budget, you are actually about \$4.2 billion less in loan levels in the entire bill over what we were able to enact last year. And so that is about a third cut. And I am wondering if you or any of your colleagues want to comment on that? How are we going to help jump start rural America with these kinds of proposed cuts?

WATER AND WASTE FUNDING

Mr. Dorr. Well, thank you for the question. First of all, let me simply say that we do believe our requests are adequate relative to the issues we are addressing and need to address at this point. I think I would first be remiss if I did not congratulate and point out how effective our Rural Utilities Service team was in terms of their ability to get out the Farm Bill water and waste funding. Nearly three-quarters of a billion dollars was provided in the 2002 Farm Bill, which we obligated to rural communities by August of last year. Quite frankly, that additional funding did help us take care of a large amount of the water and waste backlog that we were experiencing at that time. So, that addressed a number of needs.

In the area of the Rural Business-Coop Service----

Ms. Kaptur. Mr. Secretary, if I could just interject there, my understanding is--and you clarify me if I am wrong--that the Rural Utilities Service in the 2003 bill we provided \$112 million of effectively \$6.1 billion in loans, and your request this year is for half that much, \$79 million in loans which could only support \$3.4 billion in loans. Am I correct in my understanding? So Rural Utilities 2003, \$112 million to support \$6.1 billion in loans, 2004 request, half that much \$79 million, supporting \$3.4 billion in loans. Are you telling me there is no backlog that you have accommodated to that and that is why the cut is proposed?

Mr. Dorr. I defer that to Ms. Legg.

Ms. Legg. We do have a reduction. I do not have the 79 million in front of me, but I will address the position. It is a \$200 million increase in the direct loan program is what we are proposing, and yes, ma'am, that does correspond with a decrease in the grant program. The program lending level remains the same as last year, but the ratio of the mix of loan and grants has changed relative to, we think for one reason. Obviously, the interest rate is lower now, which helps loans be more viable, but as Under Secretary Dorr mentioned, the excess of \$700 million that you all gave to us during the farm bill allowed us to address the most needy in the backlog. In that

particular program that he mentioned we got out in three months, we did primarily the 50/50, 50 percent grant, 50 percent loan. So we were able to focus that money on the greatest need area. So that coupled with obviously competing interest in the program, I mean in the budget nationwide, and along with the interest rate reduction, we believe the 75/25 percent, maintain the program level, but to put it in that ratio mix will address the needs, given all the competition for the money.

Quite frankly, that also reflects our backlog application numbers more closely as well in terms of the mix of the ratio, 75/25. That is about 68 such, 70.

Ms. Kaptur. Thank you very much, Ms. Legg.

I know my time has expired, Mr. Secretary, but I do say that I would just encourage you to look at the huge backlog, particularly in the electric area, and in view of what is happening with the economy with unemployment and so forth, perhaps the grant program should not be diminished quite as much as has been done. There will be many, many communities that will be cut out of eligibility. They just simply cannot afford it.

Mr. Dorr. Congresswoman Kaptur, if I could give you one other quick observation. Obviously we built our budget based on the President's 2003 budget proposal, and at the time that was submitted, clearly, we were not aware of what ultimately, the FY 2003 appropriation would be. So some of these disparities result from comparisons to the President's FY 2003 budget, as opposed to comparison to the actual appropriation.

Mr. Bonilla. Thank you, Ms. Kaptur.

Thank you, Mr. Dorr.

Ms. Emerson.

Ms. Emerson. Thank you, Mr. Chairman.

MISSOURI RURAL DEVELOPMENT OFFICE

Welcome. I just want to say, before I ask my questions, what a great job your Missouri Rural Development Office is doing. I want that on the record, please. [Laughter.]

Ms. Emerson. I am very proud that they have gotten their administrative costs down to under 3 percent. That is very important.

And, Mr. Chairman, I also have some questions for the record, but I am going to have to go to another meeting, so I will not be able to stay.

PREDEVELOPMENT FUNDS

Mr. Dorr, in the past this is something we have talked about, Rural Development has not been able to help those in greatest need because of their inability to either pay for services required in the application process or perform those services themselves. Because of that, poor applicants are not able to participate in the Rural Development programs to benefit their area. We addressed this problem in the omnibus bill by providing funds that could be used toward predevelopment cost to these applicants. Given the fact that there is not a lot of time left in fiscal 2003 I am curious

about the time required to implement the language. Can you give me an update about where you all are in the process?

Mr. Dorr. Yes. The process that will govern the Predevelopment program those and how those funds are administered is in the process of being developed, and funds will be made available when the water and waste allocations are made to the States. Because it is only a million dollars, most of the states will identify projects that clearly need predevelopment costs, and pass those up to the national office; we will ascertain how they fit in the overall mix so that we make sure that in the various poverty level communities the most serious needs will be addressed. We believe this will be administered and rolled out in the very near future.

Ms. Emerson. Are there any plans afoot to continue offering funding for predevelopment costs beyond this fiscal year?

Mr. Dorr. Ms. Legg.

Ms. Legg. There is no request at this point. However, predevelopment costs have always been a part of the program that could ultimately be addressed with grant and loan funds. We just were not able to fund the grants at the beginning of the process. They have been a part of the projected total cost, but at this point there is no explicit request for FY 2004.

Ms. Emerson. Well, I do want to urge you all to really take a close look at that situation because too many of the communities in my district, and certainly I know others around the country simply cannot even go ahead and apply for any kind of program because they do not have the wherewithal to do it, and so, obviously, it makes real good sense to, if you can do something on the back end, just flip it and do it on the front end.

CONSOLIDATION OF OFFICES

My next question, Mr. Dorr, concerns consolidation of offices. When Secretary Veneman was here, she confirmed that you all were in the process of consolidating some of the offices within USDA including Rural Development. Now, for the record, I am not thrilled with this plan, and I want you to know that, and I can only imagine the problems that that would create for the farmers in my very, very rural district who would have to travel forever to get somewhere, to one of your offices, and as well as around the country. I believe that we need to take a much closer look at this before any action is taken.

Can you give me any assurance that there will be no closure of offices until we have had an opportunity to study this issue, possibly no closures during this calendar year?

Mr. Dorr. I am not in a position to give you any commitment with regard to office closures, whether they will or will not occur. We are obviously working in conjunction with the Secretary, as she develops her plan. We have, as the Chairman has indicated, developed a plan within Rural Development, and I think it is fair to make a couple of observations. After the reorganization that took place in the mid 1990s, the traditional Farmers Home Administration farm operating and farm ownership loans were transferred to Farm Service Administration (FSA). Rural Development essentially became a much more focused

banking and economic development operation. Our direct involvement with producers or farmers and agriculture producers was much reduced. Quite frankly, our programs revolve around technical assistance, banking operations, home ownership issues and the like.

What we found was that there was not a consistency of job descriptions, definitions, and an understanding of who was responsible for what in Rural Development. So our consistency plan, as mentioned by the Chairman early on, was designed to bring a level of consistency so that everyone understood the plans, everyone understood what the jobs were and were about and how we were structured. It is our hope that through this existing plan we are better positioned to deliver our programs in a more effective way than we have been in the past. Whether or not the consistency plan ultimately allows certain State Directors to recommend reorganizations of their offices, which may include moving some or closing some others, remains to be seen. This process will go through the Secretary's plan that is already under way to look at this whole issue, and it will be out of that process that determinations will be made.

Rural Development will not get ahead of the game or the issue, but we will provide our efforts to make sure that our programs are delivered effectively and easily accessed by our constituents.

Ms. Emerson. I appreciate that answer. I will reiterate my concern about consolidation.

I have other questions, Mr. Chairman, but since my time is up, I will have to submit them for the record. Thank you.

Mr. Bonilla. Thank you, Ms. Emerson.

Mr. Farr.

Mr. Farr. Thank you, Mr. Chairman.

Thank you, Mr. Dorr, for being here.

FARM LABOR HOUSING--CALIFORNIA

I am the only one on this committee that represents California, a large agriculture State and I am very interested in your programs. I mean as I counted up the responsibilities of your department, you have 43 categorical programs to administer, and all of them I think really important. Unfortunately, with each of them having different requirements, and the caps, the requirements, the size, the size of communities oftentimes just does not fit the problem. What I really want to encourage you to do is to see how we can work with HUD and other agencies to address the problem. Let me explain the problem where I live.

The county of Monterey, which is a central part of California on the coast, produces about \$2\1/2\ billion worth of just specialty crops, about 85 different kinds of crops, essentially everything that is in a salad, and it is the salad bowl of the world. It has, according to the National Builders Exchange, the most expensive housing in America, and yet it has the largest agricultural workforce because specialty crops are not mechanically harvested. Therefore we have no place for farm workers, and we have busted one rancher who was actually having the farm workers sleep in caves in his property.

What we do have, fortunately, is in the town of Soledad,

right in the middle of the valley, two beautifully large pieces of property that are owned by your department, one of them with just really awful housing on it. I mean it ought to be torn down, but it is housing people, and the other a vacant lot right now. What I want to do is sort of challenge the department, in working with all of the different programs, to see if we can build a model mixed income housing with your department on these properties, and really use high density but very attractive housing, and I would like suggestions of how we might be able to do that and do it really quickly. I think you have the discretion to kind of put these packages together. The property is under your jurisdiction. The city has a housing authority just for those two properties. The interest there among the growers, if you have noticed in the press some of the growers in California, particularly in the wine industry, have taxed themselves to build housing for rural America. I might want to express here that there are some business people in this country who do not follow the President's tax cut permanent squeeze approach and have actually realized that you have to have revenues to solve problems, and in California there are very progressive business people who are essentially out there raising taxes right now when the rest of the country is running the other way. So these taxes are going to help workers, and I would like to see if we could use the Rural Development Department to actually solve some problems in an area where they definitely are due to agriculture.

Mr. Dorr. I appreciate that question, Congressman Farr, as well as the observations. Clearly this administration is very, very sensitive to the issue of housing. It is a major initiative of the President's. Quite frankly, we feel very strongly about it at Rural Development. I will tell you that I had the opportunity to spend a bit of time at a recent announcement by the Chase Finance Corporation, who announced a renewed commitment of an additional \$500 billion to minority home ownership, and one of the observations they made was that our rural housing program was one of their better opportunities for two reasons. Number one----

Mr. Farr. Can I interrupt there? If the President is committed to rural housing why is the program being cut by \$1.4 billion in housing loans?

HOUSING LOANS AND RENTAL ASSISTANCE

Mr. Dorr. Well, in fact, I am not sure that we are. Our direct single family housing loans will be up over 30 percent, and those are loans that enable rural Americans to get into housing for interest rates of about 1 percent. And rental assistance that we have requested for multi-family tenants, I believe is the greatest in the history of the program in the 2004 budget. For the poorest and least served sector of the housing community, which you are just now talking about in farm labor housing, we are actually asking for an increase in that program in the 2004 budget. Again, as I pointed out to Congresswoman Kaptur, our budget proposals came out clearly before the appropriation was passed, and so that is what we were benchmarking our request upon.

We know that there are a number of needs out there. The

multi-family section 515 program, which is part and parcel of this, is a program that has had a number of issues. I have been here for about 7 months, and we are working aggressively to try to get our hands around those issues to get a better determination of what that multi-family housing portfolio is, where the demands are and where they are not, and what we need to do to maintain an adequate inventory to accommodate the elderly, the single-parent families, as well as those farm laborers who have needs for housing that are currently not being met.

Mr. Farr. My time is up, but I hope we can work the department to address these problems in Salinas Valley on your beautiful real estate.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Bonilla. Thank you, Mr. Farr.

Mr. Goode.

Mr. Goode. Thank you, Mr. Chairman.

COMMUNITY FACILITIES--VIRGINIA

I want to tell Mr. Dorr and Ms. Legg, I appreciate the work that Rural Development and RUS does in Virginia. Your persons have been very cooperative and good to work with.

I do want to ask you about a situation that arose yesterday. Mecklenburg County is a rural county, has lost a lot of jobs. It is a tobacco growing area. And the commute to the health center there is seeking a loan from Rural Development to renovate several buildings that it has its facility, plus help the little two of Boynton. They were working on getting a loan with Rural Development, and they thought, since tax credits were involved, that the cash they would get for tax credits could be paid at the end of the loan. Now they find they have got to get the money up front from some source, and it is tough to sell a tax credit before the building is built. They would have no problem once the building is renovated and reconstructed.

But I was told that if they were going through a HUD process they would not have to front the money, and I am just wondering if that is true, that those that live in urban areas have an advantage over those that live in rural areas? The consulting person that was with the director of the clinic there, stated that was the case. I am wondering if that is the case. Does HUD have advantage over--they said if they were in the city of Richmond or the city of Washington, D.C., they could structure the loan easily, but they cannot do it with Rural Development.

Mr. Dorr. Congressman Goode, that is clearly a detail that I am not familiar with or in a position to answer. I would defer to Mr. Garcia. I do not know if he has that answer at his fingertips. If not, we will get back to you.

Mr. Garcia. Congressman Goode, I was not aware of that situation, but I have Mr. Alsop with me, who is head of our community facilities. What we will do is as soon as we get back, look at this situation, research it for you and provide

your office with a full response as to the difference between our program and the HUD program. We are very concerned about what is happening in Virginia with our community facilities. Last year we did the training center for police in the Shenandoah Valley. We have a very active staff in community facilities in Virginia.

We will get a full report back to you on this situation.

Mr. Goode. And it is Mecklenburg County.

Mr. Garcia. Got it. [Laughter.]

[The information follows:]

Boydton Community Health Facility, Inc.

The financing package for the Boydton Community Health Facility, Inc., for the restoration and remodeling of three buildings in Boydton's historic district includes a \$4,303,700 Rural Development Community Facilities loan, a \$460,400 Community Development Block Grant from the Department of Housing and Urban Development, and a \$100,000 grant from the Virginia Health Foundation.

Virginia tax credit law does not allow tax credits to go to nonprofit corporations. The statutes authorizing the Community Facilities program require that an eligible applicant be a nonprofit corporation, for-profit corporation operated as a nonprofit corporation, a unit of local government, or an Indian tribe. Therefore, tax credits cannot benefit any of our borrowers in Virginia, or any of HUD's borrowers in Virginia that are nonprofit corporations. In this instance, the laws governing tax credits are applied equally in rural and urban areas.

Several types of entities were originally involved in the Boydton project, including a for-profit corporation which is eligible for tax credits. Once the facility is substantially complete, we understand that approximately \$532,500 will be made available to the for-profit entity from Virginia Rehabilitation Tax Credits to purchase equipment.

Mr. Goode. All right. Thank you, Mr. Chair.

Mr. Bonilla. Thank you, Mr. Goode, and if I could ask that this report, this response, can it come back directly to the subcommittee as well as directly to Mr. Goode? That would be appreciated.

Mr. Garcia. Yes, Mr. Chairman.

Mr. Bonilla. Thank you.

Mr. Hinchey.

RURAL HOUSING

Mr. Hinchey. [Off microphone.] Mr. Secretary, I wanted to ask you a question about housing programs in rural American. I think the work that you do is very important.

We know that most of the substandard housing in America is in rural areas, not in urban areas. And the work that your agency does in rural development is very important. In some cases it is critically important to the people who live in those communities. We know that a disproportionate amount of the Nation's substandard housing would be a lot worse if it

were not for the programs that you administer.

RENTAL ASSISTANCE

Renters, for example, in rural areas, are the worst housed in the country. We know that one third of rural renters pay more than a third of their incomes for housing. The Section 515 Rural Rental Housing Loan Program serves those low and very low income families and provides them, to the extent that it does, with safe, affordable housing.

This year the President's budget cut Section 515 funding almost in half to \$71 million, and it limits it to repair, rehabilitation and preservation. When USDA made this proposal last year, the Congress overruled it and put money back in the budget for new construction. If the fiscal year 2004 budget request for Section 515 is approved, it will be the first time in more than 30 years that the Federal Government builds no new rental units in rural America. Instead, the department proposes to postpone all new construction pending completion of an ongoing comprehensive program review.

What are we going to do with our housing needs if we insist on cutting this program?

SECTION 515 PORTFOLIO

Mr. Dorr. Well, we understand your concerns, Congressman Hinchey. There is no new construction for section 515 multi-family housing in this budget. We feel very strongly that given the circumstances and the history of the 515 program, and particularly the age of the portfolio, that the most important thing we can do now is maintain the inventory. Through our efforts at repair and rehabilitation, and through equity loans, we must preserve the units. In the short term, the most important thing that we can do is make sure that we sustain the inventory that we have.

This study that you talked about is one that I feel very strongly about getting done. Mr. Garcia will tell you that he has heard nothing more from me than that on this particular issue, simply because until we get our arms around the age and the status and the relationship of the contracts of this portfolio, it is going to be very difficult to sustain the housing inventory that we presently have. I think it is critically important that we do that, because, as you clearly pointed out, this is the only housing in many cases available for elderly and for single-parent families. Our budget proposal for FY 2004 is actually above what we requested a year ago, and clearly that was not what was in the bill that was provided for 2003. We are requesting an increase over the FY 2003's request, in an effort to get a better handle on this issue.

Mr. Hinchey. I thank you very much, but as you know, the Congress recognized the inadequacy of the request last year, and the fact that the request this year is slightly above what you requested last year, which was seen as grossly inadequate, does not really ameliorate the problem or the concern. And I understand your very illegitimate interest in trying to get a better handle on the program and the need for a comprehensive study and review. But we do not need a comprehensive program

review to understand that we have a very serious problem here, that there are an awful lot of people across this country who depend upon this program and who are living in substandard housing. That substandard housing includes situations which I will talk about later, that also have to do with poor water supplies and inadequate sewage facilities. There are the kinds of living standards that you would find in third world countries and be shocked by them, yet they prevail in this country. We know they are there.

So studying the 515 program is a great idea to understand it more effectively, but reducing the funding does not make any sense. So I do not think it can be justified, and I certainly hope that you could reconsider your decision and ask the Congress for the kind of money, something close to it at least, that is needed here. Congress will respond.

I would think that my time would be up, Mr. Chairman, but if I am allowed to proceed, I will be happy to do so.

Mr. Bonilla. We will come back to you.

Mr. Boyd. [Laughter.]

RURAL DEVELOPMENT SERVICES

Mr. Boyd. Thank you very much, Mr. Chairman.

And, Mr. Dorr, I want to echo the remarks of Mr. Goode. The people that I represent, the area that I represent, we deal with all of your folks on a regular basis, the utilities folks or the housing, RHS, RBS, community development folks. And they are very important. They provided very important services in an efficient manner over the years to help improve our communities, and so I want you to know that I, along with other members of this committee, recognize the importance of the work that you do.

One of the things that I think that we have done very well in this country over the last 70, 75 years, improving the lives of folks in rural areas, are obviously in the utility, electricity utility area, and in telephone service, and those things which back then were considered maybe niceties to have, now are necessities for life. And you guys have played a tremendous role in that.

BROADBAND ACCESS

Times change, and that changing need now is high-speed Internet. One of the things that is impeding the progress of our communities economically is the lack of high-speed Internet. Can you tell me if you see a shift in some efforts in your organization and tell me what you are doing to try to improve the high-speed Internet access in the rural areas?

Mr. Dorr. Well, Congressman Boyd, I think you clearly have identified the single most significant issue relative to the infrastructure needs that will enable rural America to become competitive on a global basis, on a continuing basis, and allow them to increase the economic opportunities and quality of life in their communities. High speed access to the Internet will be as important today as electrification of rural America was back in the '30s and '40s, and developing telephoning across the rural areas as well.

This Administration has committed approximately \$1.45 billion in guaranteed and direct loans and grants for the rollout of broadband capacity throughout rural America. As a result of the Farm Bill funds in 2002, the rules for this program were published and finalized in the Federal Register in the latter part of January, I believe January 30th. We are in the process now of receiving grant applications from all across the country. The assumption is that we should be able to fund most, if not all, of those applications that come in.

In that vein, I think we have a very deliberate and a very strong program designed to address a number of these issues that you are talking about, and hopefully a year from now we will have a better idea of our ability to get these funds out and see how the program is going.

SUBSIDY RATES

Mr. Boyd. In trying to read and understand the details of your budget request, I noticed a lot of shifting around of money in that particular category. Does not seem to be any significant increase or maybe no increase at all. But you shifted a lot of money from one account to the other, increased some, decreased the others. Would you like to address that in terms of how that helps implement this broad plan you have?

Mr. Dorr. Well, I think what actually happened was there were some demonstration plans and there were some funds that were made available that were no-year funds that were not entirely used up. I will let Ms. Legg address that specifically, but I think the important point to note here is that with the decrease in subsidy rates, the ability to leverage a much larger program has been enhanced, and so we feel quite comfortable with the level of program support that we will have in these areas.

If Ms. Legg has any other comments, I defer to her.

Ms. Legg. Actually, I would just reinforce that. If you look at the FY 2002-2003 broadband program that is funded through the Farm Bill, and look at the FY 2004 request, it shows a subsidy rate reduction. Therefore, we can get a bigger bang for the buck.

If you were looking at the projections based on the subsidy rate used for the Farm Bill, you would have looked at a three-year program of about \$1.2 billion. Now with the present FY 2004 subsidy rate, we will be looking for in excess of \$1.7 billion in that broadband program. That is a very strong program, and we are really excited about the applications that are presently coming in.

DISTANCE LEARNING

The distance learning and telemedicine grant program continues at the same level as the FY 2003 request. It is also a very strong program. But, you will see a reduction in the request compared to this year's appropriation. We are funded at \$300 million for DLT loans. Quite frankly, Congressman, those loans, because they are to be delivered by the provider of either medical services or education, have simply not been in demand. Last year we funded approximately \$16.6 million in

loans. We are making, under Mr. Dorr's direction, a much more aggressive effort in outreach and marketing that loan program. As you know in the Rural Utilities Service we generally have not had to market; we have always had a backlog in our programs. This is one at which we are taking a very serious look, and trying to perform outreach, but that would be one of the shifts that you have noticed.

Mr. Boyd. Thank you very much. I see my time is up.

But before we leave this issue, Secretary Dorr, at some point in time the subsidy will have to go back up as interest rates go back up. Will the administration have a commitment to maintain the same level of program that we have now? I mean, that would be very important to us in the rural areas. I do not need a long answer.

Mr. Dorr. The Administration has a strong commitment to rural America and I am sure that as those occasions evolve, we will evaluate them closely.

Mr. Boyd. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Boyd.

And I will now yield to the Vice Chairman of the subcommittee, Mr. Latham.

Mr. Latham. Thank you, Mr. Chairman.

And welcome everyone here. Mr. Dorr, everyone should know, originated from what was my old congressional district. I lost that part of the State in the reapportionment this time. I want to echo what Mr. Boyd was talking about, namely, the importance of telecommunications, particularly broadband in rural America. I think what you folks can do in that arena is most important, even more so than some of the farm policy efforts. It is important for the quality of life, for the potential for the future in rural America.

Coming from a town of 168 people myself and living on a farm, I can tell you that we do not quite have access to the type of services oftentimes we find here in town or in more metropolitan areas. And with the quality of life and the quality of people that we have, I think our potential is great if in fact we have the means to grow and to prosper out there. The potential is there certainly, so what you are doing is extraordinarily important I think for the quality of life, for the future of rural America, more so again than some of the farm programs themselves.

RADIUM IN GROUNDWATER

One of the major concerns we have, in a lot of the small communities, is the water quality and some of the EPA requirements like radium. Can you give me kind of an idea as to how the rural community advancement loans and emergency community water system grant programs are going, and what qualifications a community needs to qualify? We certainly have at least two communities that have real problems right now and it is very difficult to get assistance.

Mr. Dorr. Well, first of all, Congressman Latham, I am delighted to be here with you, and it is good to see you again. We are sorry you are not our congressman, but we do have a----

Mr. Latham. I know. That is where all the Republicans are--

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[Laughter.]

Mr. Latham. Last year we got in a more competitive area.

Mr. Dorr. I am not sure I want to go there, Congressman.

[Laughter.]

But you are right, these concerns for radium in local water systems in rural Iowa have been an ongoing issue, and one that I know the Rural Utilities Service has a direct involvement in addressing in terms of their programs as they work with the rural communities.

What I would suggest we do on that specific issue is get back to you with a direct response on treatment and mitigation. If that would be satisfactory, we will get that to the Chairman and the committee and your office as well.

[The information follows:]

Radium in Groundwater

Radium is a radioactive metal that occurs naturally in trace amounts in rocks, soils, and groundwater. Radium readily dissolves in groundwater where acid conditions are found.

The U.S. Environmental Protection Agency has established maximum contaminant levels for combined radium 226 and 228 and for gross alpha radiation in drinking water. Specific drinking water standards have not been established for radium 224 or other alpha emitters. The health risk is considered minimal. If a person consumed water containing five pico curies per liter, the EPA minimal standard, for one year, it would compare to one chest X-ray over the same period of time.

Drinking water can be treated to remove radium and Rural Development can provide funding in the form of loan and/or grant assistance to eligible applicants. The USDA Rural Development office in Iowa has staff who are knowledgeable in the treatment of drinking water. They have dealt with the issue of radium for a number of years and should be the first point of contact for any Iowa community or rural water district.

RURAL BUSINESS AND COOPERATIVE DEVELOPMENT PROGRAMS

Mr. Latham. I would appreciate that very much. On Rural Business-Cooperative Service, I am curious about the funds you provide for the business opportunity grants and rural business enterprise grants. Is there any one part of that program, such as those distance learning projects, job training, land planning and technical assistance, start-up capital, etc., is that really absorbs most all of the funds, and are we able to properly target those dollars in the right direction? Is it working as anticipated do you think, and where do we get the most bang for the buck in all that?

Mr. Dorr. Much of the funds go into the rural business enterprise grant program. We are requesting \$44 million in that area, and \$3 million for the rural business opportunity grant program.

The rural business enterprise grant program is designed largely to finance and facilitate development of small and emerging private business enterprises, and the rural business opportunity grants provide technical assistance for business development planning in rural areas that would work more with

nonprofits or Government agencies.

VALUE-ADDED DEVELOPMENT GRANT PROGRAM

Mr. Latham. Does that apply to ethanol plants? I mean is this a source that we could---

Mr. Dorr. Generally speaking, our Value-Added Development Grants have been more directly utilized by the ethanol plant programs, but rural business enterprise grants could be used in that vein if they applied accordingly; is that not correct, John?

Mr. Rosso. Yes, sir, we can. We have a multitude of overlapping programs, if you might consider it such. Under the Value-Added Development Grant a great preponderance of our programs last year were for ethanol and alternative energy. Of course this year we have the Section 9006 under the energy title of the Farm Bill, which will further increase that. I think this year will probably be the year of the anaerobic digester as opposed to the ethanol plants, but they do come in cycles, and some of the funding is available under these programs. So, we have the capacity.

These particular programs that you are addressing now are heavily utilized. We have a great demand for them, and they do a lot of good.

Mr. Latham. Just as a follow up, where do we get the most bang for the buck? And where do most of the funds go today?

Mr. Rosso. A lot of it goes to the development and the support of ongoing developing businesses, but we do put a lot of money into feasibility studies, the assistance with technological information and so on, because it is better to put that money up front and find out whether or not the project is going to work, than to fund it and find out after the fact it did not work. So, if you are asking me how many dollars do we spend on one or the other, or where do we get the most bang for the least amount of bucks, I would say it is in the advanced planning so we do not waste funds on the back end.

Mr. Latham. Very good.

Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Latham.

Mr. Kingston.

Mr. Kingston. Thank you, Mr. Chairman.

RURAL ECONOMIC DEVELOPMENT FUND REGULATIONS

Mr. Dorr, in the 2002 farm bill we had a provision under Section 6101 to increase the funding for the Rural Economic Development Loan and Grant program. And in the 2003 budget we increased the authority or brought it to a \$1 billion level.

In the farm bill, we had asked that the regulations be promulgated by November of 2002 and that the program be implemented in January of 2003. And I understand that your folks have done the regulations, that you all have done your part of it, and that you sent those regulations to OMB, but when our office inquires what the status is from OMB, we cannot find who has received those regulations. So I was wondering who has it at the moment.

Mr. Dorr. My understanding is that those comments are back

from OMB and at our shop now, and we are in the process of responding to those comments. And so as soon as those responses are completed, reviewed by our Office of General Counsel and Mr. Dewhurst's shop, they will go back to OMB.

Mr. Kingston. Let me ask this because I do not--this is not a smart aleck question, but since it was supposed to have been done in November, why was it not done, and since we are past your January deadline, it would appear to me that somebody needs to be working overtime and weekends to get it nailed down.

Mr. Dorr. No, no, no. I understand, and Congressman, I appreciate the fact that you make the laws and we are expected to implement them as quickly and as timely as possible. I think it is fair to say that this was a very significant issue, and so when OMB and our staff started working through the requirements, and realized that it was essentially a long-term \$3 billion potential guarantee, that OMB had a number of questions to get resolved to make sure that a number of issues were addressed. And I respect that. That is a lot of money. I appreciate the fact that this issue was supposed to have been out, as you indicated, in January, but we are doing the best we can, and we will follow up with you and the Chairman's office to let you know what the status of this is.

Mr. Kingston. If you could tell us when your deadline is, but I guess also, so we do not have to worry about OMB; the ball is back in your court at this point.

Mr. Dorr. We hope to have our comments completed and ready to go shortly, and we will respond back to OMB with our responses.

Mr. Kingston. Okay, great. Thank you.

WATER AND WASTEWATER

Ms. Legg, on the water and wastewater program, I understand that the administration is planning to decrease the grant to loan ratio from 40/60 to 25/75. That program of course is very popular in Georgia as it is in other areas. Is that likely to happen? Are you all pushing forward or is this one of the stick-your-toe-in-the-water and see how it feels and maybe pull it back out?

Ms. Legg. Well, this is the President's proposal, to shift the loan/grant mix to 75 percent loans and 25 percent grants. We were able to use the Farm Bill money to focus on the greater need areas that got closer to a 50/50 split. We were able to attack the backlog with those funds, and this current ratio actually reflects more closely the backlog of applications that are in house today. Coupled with a declining interest rate, we believe this will be feasible given the overall competition for dollars.

Mr. Kingston. We will probably talk to you a little bit more about that, but I am glad you brought up the interest rates being down.

SINGLE FAMILY HOUSING AND MINORITIES

Mr. Garcia, I have a question for you. I only have 30 seconds, so you may have to answer it later.

Mr. Garcia. Okay.

Mr. Kingston. The administration is talking about increasing the direct loan rate for single-family housing. That has been very helpful in terms of minority home ownership, and in Georgia 47 percent of the money does go to minorities. Is this going to hurt the availability for people to get these loans? Is it just going to cost them more, or what can you tell me about that?

Mr. Garcia. Okay, I will try to give you the short version since I know the time is short. Having gone to Georgia and seeing how our loans impact the beautiful State of Georgia. [Laughter.]

And I really mean that, Congressman. [Laughter.]

Mr. Garcia. What we are doing is reaching out to under served populations, and of course minorities, as we know, are a large part of these who are under served. We are not taking funds away from any group, or any program. We are trying to reach out and find the most needy, and as we know, a minority is three times as likely to have substandard housing in rural America as a nonminority. So, what we are doing is we are going out there, making our programs more accessible, getting the word out for all Americans, for all under served Americans in rural America. But a big part of that is we want to make sure that Americans are not left behind because they are a minority.

Mr. Kingston. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Kingston.

Mr. Garcia, Mr. Latham wanted me to point out that Iowa is beautiful too. [Laughter.]

Thank you, Mr. Chairman, and may I say Texas is great also? [Laughter.]

Mr. Bonilla. Thank you, Mr. Garcia.

RURAL BUSINESS INCENTIVE PROGRAM

We are now going to start our second round of questions. Mr. Dorr, you had mentioned earlier that if you are going to implement the rural business incentives program, that you are going to require some legislative changes or some kind of authorization. If you would just please for the record provide legislative drafting service for the changes that are needed and provide that for the record, we would appreciate that.

Mr. Dorr. We intend to do that.

[The information follows:]

Rural Business Investment Program

As Rural Development and the Small Business Administration continue to work toward implementing the Rural Business Investment Program (RBIP) authorized in the Farm Bill, we have become more optimistic that a legislative change may not be necessary. We plan to carry on along this current track, and as long as we continue to make progress, we will not seek a legislative change. If we determine that a legislative change is needed, we will provide the legislative drafting service requested.

COLONIAS FUNDING

Mr. Bonilla. And for Ms. Legg I have one more point. I know a lot of members have touched on the water and wastewater issue and the funding levels. I just want to let you know that we are going to be watching the colonias budget request as well. The request is for \$11.8 million for colonias along the border, which is down about \$13.2 million from the enacted level. So perhaps you can comment on how we can work toward getting that number back up to the fiscal 2003 level, because that is something that I am going to be working with you very closely on, and I know some other members will be doing so as well.

Ms. Legg. Yes, Mr. Chairman. The colonias are a challenge along the border between the United States and Mexico. You accurately reflect the decrease in the water program, but we believe that the increase for our sister agency, the Rural Housing Service, is the way to best tackle the needs, and that is to try to get a much more substantial home to hook that water up to, if you will. Some of those homes are just shanties, quite frankly. So we would rather see a stronger home, a stronger residence, with the water going into that improved residence. So we will be working with them, and continue to focus on colonias as well.

Mr. Bonilla. We would like to see both continue, so we will be working with you on that.

STATE DIRECTORS

And my only final comment I have, Mr. Dorr, yesterday I mentioned the great work your man in Texas is doing, Brian Daniel, and I want to compliment him for the record, and just hope that he can continue doing the great work down there for all of us, for so many projects that he has already worked on and those that he will be working on in the future.

Mr. Dorr. Great. I would like to state for the record, quite frankly, that about two weeks ago we had our State Directors meeting here in Washington. We have an outstanding team of 47 state directors who are a very vibrant, aggressive and enthusiastic group of rural Americans. I do not want to understate the significance of these people, because they are a fine set of appointees, and they are very enthusiastic and very focused on what they are doing in rural America. In addition to Mr. Daniels and others, we have a lot of folks just like that across the country, and we are very appreciative of the fact.

Mr. Bonilla. Well, I think it is reflected in some of the comments you are hearing from the individual states this morning as well. Thank you very much.

Mr. Hinchey.

WATER AND WASTEWATER TREATMENT FACILITIES

Mr. Hinchey. Thank you very much, Mr. Chairman. I want to second that. I think that those folks are doing a terrific job, and I think that we need to help them more. I wanted to focus a little bit of attention on the Rural Utilities Service, particularly with regard to water and wastewater treatment facilities. We know that there are hundreds of communities across the country that have substandard water facilities and

wastewater treatment facilities.

In 1995, the USDA needs assessment of rural areas show that more than 1 million households have no indoor plumbing, and 2\1/4\ million households have critical drinking water needs.

The EPA conducted a 1997 drinking water infrastructure needs survey, which estimated that over the next 20 years, water systems serving communities of less than 10,000 people will require more than \$37 billion in funding for water systems improvements and upgrades. For wastewater, a 1996 EPA survey demonstrated that small communities with up to 10,000 residents will need 21,000 wastewater treatment facilities by 2016 at a cost of approximately \$14 billion. According to EPA's numbers, approximately \$51.2 billion will be needed to address the basic water and wastewater needs of small communities.

This is something that I think concerns you, as it concerns all of us. I know that the funding for these programs has been relatively static now for a number of years. The President's request this year I believe is for \$1.5 billion, but the vast majority of that goes for loans. Only \$350 million of that \$1.5 billion goes for grants. That problem is exacerbated by the fact that many of the States have been trying to make up for the deficiency in Federal funding by leveraging Federal block grants to try to get the money to improve their infrastructures. But almost every State in this country is having budget problems this year, and in many cases they are very severe budget problems. They do not have the money to leverage any more.

What can we do, Mr. Secretary, to deal with this problem more effectively? And I understood your answer to Mr. Kingston, I believe it was, a few moments ago with regard to the cut in the grant and the increase in the loan, you are trying to take advantage of the low interest rates. It makes sense to take advantage of low interest rates by providing more money for loans, but it does not make sense in my view to cut money for the grant program.

Mr. Dorr. Well, the historical relationship prior to the late '80s, early '90s on these loan and grant programs was somewhere in the neighborhood of the 70/30, 75/25 relationship. We realize that that relationship changed from the late '80s to the early '90s. It was in our view pretty clear that the three hundred sixty million dollars of Farm Bill money last year did address many of these most severe needs. One of the things that we are faced with in this time of difficulty is that we do have limited resources, and we have to focus on how best to marshal those resources across the spectrum of demands that the country has as a whole. In hindsight, we will obviously be able to judge this pretty closely, but our feeling at this point is that this particular relationship will maintain a level of grants and loans that will give us the ability, within the framework of our capacity to deliver these programs, to do a good job in addressing much of these needs.

Mr. Hinchey. Mr. Secretary, let me just say in the few seconds I have left that your historical perspective on this is accurate, but if you go back a little bit further, you find that the grant element was much higher. Those changes came about in the late '70s and early '80s, where you saw more loans and less grants. But originally these were essentially grant

programs, or for the most part they were grant programs. This is where they originated, and it would be wise in my view if we went back there. In any case, we have got some serious problems on our hands in rural America, and I think that we need to work together to try to deal with them.

If we can manage \$1\1/2\ trillion in tax cuts for the most affluent people in the country--and I know that this is not your area, that we really need to be more sensitive to the critical needs of water and wastewater, the basic elements of life that are causing very serious problems in rural areas across the country.

Mr. Dorr. I can assure you, Congressman, that we will attempt to be very good stewards of the resources that we have.

Mr. Hinchey. I am sure of that, sir.

Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Hinchey.

Mr. Boyd.

Mr. Boyd. Thank you, Mr. Chairman.

MULTI-FAMILY HOUSING

Secretary Dorr, I refer you to page 11 of your testimony, starting at the top of the page, and I want to read it. ``Over the past year and a half we have passed the possibility of losing affordable housing due to borrower repayment. In 1979, 1988 and 1992 Congress passed legislative changes to the MFH programs to restrict a borrower's ability to prepay their loan, thereby protecting residents from displacement. Recent legal actions brought by bars have challenged the statute that governs the MFH prepayment process. The future of the MFH program will require continued strategic and tactical planning and execution to keep affordable housing available to our residents. Our methods will include a combination of changes to the program, program incentives to owners and establishment of new partnerships with State and local housing agencies, nonprofits and faith-based organizations, whose commitments to rural communities is long term.''

My question, Secretary Dorr, is this: I know this is a problem in the district that I represent, and I am sure it is in many other areas around the country. I have met with some of those folks. Can you update us on exactly where we are and explain to me exactly what the paragraph means in your testimony, if you would?

PREPAYING LOANS

Mr. Dorr. I believe that is out of Mr. Garcia's testimony, but part of the record. I will give you what I have determined to be the issue. Quite frankly, having come in from rural America and not previously having dealt with multi-family housing programs and plans within Rural Development, it appears to me that over the years this program has evolved due to a variety of constituent demands and congressional demands. In that context, it also appears to me that perhaps we did not at Rural Housing, keep up with, relative to the rules, the things that were needed to make that program accommodate the changes that Congress had dictated, along with the contracts that were

entered into with a number of providers of multi-family complexes.

As a result we now have a situation where a number of owners are currently interested in prepaying. We have entered into a number of negotiations with some of them. A number of these cases have resulted in lawsuits in which they have determined that these property owners are in fact in a position to get out of the program.

Consequently, we are now attempting to get our arms around this in an aggressive manner to determine what inventory is in what situation, and what is required to sustain an adequate inventory within the framework of the resources that we have. This is a complex issue that has evolved over time. It is not one that, quite frankly, I was familiar with before I got there. It is one that our rural housing staff is attempting to get their arms around. I am pushing them very aggressively. I am not sure that we are getting on top of it as quickly as we should, but we intend to, and it is not a simple problem to deal with. That is the best response I can give you at this point.

Mr. Boyd. Well, actually, I think that your understanding of the issues is very similar to what I perceive the problem to be. I can tell you right now that the owners of these complexes are very confused and very worried. They had a contract. Obviously, they had to go to court to enforce that contract, because it is my understanding, and I think you alluded to this in your statement just then, that the legislative changes, since the contracts were written were basically written to excuse the government from some of its financial commitments under the contract. Is that a fair statement?

Mr. Dorr. I think the fundamental issue was that the contract allowed these folks, after a period of time, to get out of their contract. They could pay it off.

Mr. Boyd. Well, there were also incentives in the contract that the Government could make to keep them in the contract.

Mr. Dorr. That is correct.

Mr. Boyd. And now we are not willing to step up with those incentives. I guess that is where the problem starts. What is your shop's willingness to help with that?

Mr. Dorr. We are attempting to step up to the plate with additional incentives in this year's budget, as well as to analyze what we have to do to resolve the issues in the aggregate or in the bigger picture.

Mr. Boyd. Well, again, I want you to know that there are some very confused complex owners, but even more, the tenants are extremely confused. And at sometime in the near future I may invite you to come down and meet with some of them, and maybe that would give your folks some understanding of----

Mr. Dorr. We may have confused tenants, but I am more concerned about making sure that we have a place for those tenants to live.

Mr. Boyd. Exactly. Mr. Chairman, maybe if there are other questions on this, I could follow up on the next round.

Mr. Bonilla. Okay. Very good, Mr. Boyd.

Mr. Farr.

Mr. Farr. Thank you, Mr. Chairman. Sorry that my phone went off.

Mr. Bonilla. That is okay, Mr. Farr.

Mr. Farr. I did not even know I had it. That is a no-no in this committee. [Laughter.]

FAITH-BASED AND COMMUNITY INITIATIVES

Mr. Farr. I notice that the department has created faith-based community initiatives in the Rural Development Department. What is the authorization for that?

Mr. Dorr. Luis, would you care to respond to that? Mr. Luna is the Deputy Administrator for the Office of Community Development.

Mr. Luna. My understanding, sir, is that when the President initially issued his Executive Order to create the faith-based initiative, he designated several departments to carry that out, and the initial Executive Order did not include the Department of Agriculture. A couple of months ago the President issued a new Executive Order in which he added the Department of Agriculture and directed the Department to create a faith-based and community office.

Mr. Farr. And what is the budget for that office?

Mr. Luna. That, sir, I do not know.

Mr. Farr. What is the budget? How much is in the budget?

Mr. Dorr. That budget does not come through Rural Development.

Mr. Farr. Mr. Dewhurst, do you have it?

Mr. Dewhurst. Well, at present, what we call the center is one person, a special assistant who works for the Secretary. I do not know her salary level, but it is not a box on the chart. It is an individual who is coordinating this effort. I can get you the number for that.

[The information follows:]

USDA Center for Faith-Based and Community Initiatives

The salary and related operating expenses for the individual coordinating this effort and clerical support is estimated at \$201,775 for FY 2003.

Mr. Farr. How does that person, what do they do in your department?

Mr. Dewhurst. The job is to take a look at the Department's programs in terms of cooperation with faith-based institutions. It is a coordination function. That person is gathering some information about how our programs work and how that kind of coordination might be improved, but that person is not running any programs and that person at this point has not got a staff or an operating budget.

Mr. Farr. I am trying to figure out what the purpose of this and how effective it is going to be. And you do not have any new programs. You just have the regular programs. We have already talked about how some of those are under funded. And so you have created what, a new outreach person? What is the function? I mean you put out the press release, faith-based and community initiatives in the Rural Development Department, potential funding for nonprofits, programs for individuals. But it does not tell what this office or person does.

Mr. Luna. Congressman, again, if I can clarify a little bit. The individual is trying to identify any obstacles that would exist to prevent either faith-based or community organizations from accessing the Department of Agriculture's programs and resources. It is not specifically aimed at helping faith-based organizations. It is to identify obstacles that any organization would have, be they faith-based or community-based, to have access to these programs.

Mr. Farr. The obstacles are going to be--already the lines are longer than the programs, so you are going to have greater demand and the same services.

Mr. Luna. Apparently there are some programs that over the years have developed an understanding that certain organizations are not eligible to even apply for these programs because of the character of the organization, because they are faith-based or have some other characteristics.

This individual, and it is only one person, is charged with working with all of the organizations, all of the agencies within the Department of Agriculture, to identify what obstacles there may be. It is not an effort to create a new entity. It is an effort to try to identify what obstacles there are.

Mr. Farr. Could you provide for this committee, as you find the names of those organizations, the list of them, so that we can see who they are?

Mr. Dorr. Yes. I do not think there would be any problem with that.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Mr. Farr. Thank you very much. No further questions.

Mr. Bonilla. Thank you, Mr. Farr.

Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman. Again, I apologize for having to leave and I appreciate the opportunity on this round.

RENEWABLE ENERGY

Mr. Secretary, do you believe that the U.S. Department of Agriculture has a role to play--let me amend that--a major role to play in restoring America's energy and independence?

Mr. Dorr. Within the framework of the constitutional mandates that we have, and within the President's budget, clearly we do. In my view renewable energy is a great new opportunity for rural America, not just from the standpoint of the biomass and biobased energy opportunities, but those that relate to geothermal, wind, anaerobic digesters and a number of things.

I personally believe that with a lot of the scientific research and development work, we are over that hump. We are now at the cusp of the commercialization of a lot of these initiatives. I think that much like the ethanol industry, it has taken 2\1/2\ decades, nearly 30 years, to move from the drawing boards. I might say that I was on the board of directors of the Iowa Corn Growers Association, when we passed the first statewide referendum for a corn check off. Our first

major project was the development of the ethanol industry during the height of the energy crisis back then.

Ms. Kaptur. Mr. Secretary, could I just interject there if I might. I know my time is extraordinarily limited. In view of that commitment that you personally appear to have, I can tell you that we had to fight up here in Congress to get an energy title in the farm bill. For the first time in American history, we now have a title in the farm bill that places the Department of Agriculture at parity with other cabinet departments, and that energy title gave you mandatory authority, spending authority for both value-added grants and renewable energy. You in the budget proposal the administration has submitted to us, are proposing that we literally defund these programs in the following way.

According to a budget cross cut that I will submit to the record, Rural Development is literally asking for a cut from available authority of \$63,852,000.

[The information follows:]

[GRAPHIC(S) NOT AVAILABLE IN TIFF FORMAT]

Ms. Kaptur. You are only asking for \$5,878,000. And essentially a 90 percent cut in your authority. What type of venture capital is it that would not implement the law that attempts to move the Department of Agriculture into the 21st century in creating this new industry for our country? What is going on inside this department?

Mr. Dorr. Well, I have pointed it out earlier--when you get into periods of time in the country's history when there are extraordinary events, there is a need to make very difficult choices. Clearly, choices have to be made with regard to limited resources.

Secondly, I would point out that we have, since this administration took office, expended over \$120 million in loans and grants to support the ethanol industry through our B&I program, the Value-Added Development Grants, et cetera.

The 9006 Energy Title along with the Value-Added Development Grant program will fund on a grant basis in excess of \$120 million in this year and last year. I do not think that it is inappropriate to step back, take a breath, take a look at these programs, and analyze how they are doing. We are in fact including \$5 million of discretionary funding, both for Value-Added Development, and the 9006 Energy Title.

As we set about implementing the 9006 Title, we are working with EPA, DOE, NRCS, FSA and ERS to make sure that we are positioned to address the kinds of issues that small farmers, small business people and farmers and ranchers will face. To the extent that our resources allow, we are very committed to these programs.

Ms. Kaptur. Thank you. And I would like to say to you, Mr. Under Secretary, just by a point of comparison, the oil and gas industry spends just on advertising that we can account for, \$211 million a year, \$211 million a year, and I can tell you that our Government, not counting the cost of the war in Iraq, spent over \$100 billion to support the petroleum industry internationally, including requests from the administration to

do such things as guard with paramilitary forces the Occidental Pipeline in Columbia, a company that made \$2 billion over the last couple years. So if one looks at relationships, and you have the ability, based on your background, to understand these relationships, I do not think you should shortchange the farmers of America that can really bring up this new industry.

BIOFUELS ENERGY INDEPENDENCE ACT

And I would encourage you to look at a bill I sponsored with many others, H.R. 130, to create a Biofuels Energy Independence Act for our country, centered at the Department of Agriculture, modeled on the Rural Utilities experience in electric and telephone, so that farmers can own this new industry. Now is the time. And the competition is very clear. And coming from where you do, I know that you can have policy influence beyond where any of your predecessors have been able to be successful. You now have the legislative authority, and my God, if we cannot see what is going on here, then shame on all of us and our time and generation.

And I know that my time has expired on this round, and I thank you for your sympathetic ear.

Mr. Dorr. Thank you.

Mr. Bonilla. Thank you, Ms. Kaptur.

Mr. Boyd.

Mr. Boyd. Thank you, Mr. Chairman.

Mr. Under Secretary, let me say first of all that I know that you have been very proactive in reaching out to Congress and staff on this committee, and I want to thank you for that, much more than some of the other Under Secretaries do, and I think that should be acknowledged, and we appreciate it.

Mr. Dorr. Thank you.

Mr. Boyd. On the housing issue that we talked about earlier, I do want to tell you that your Florida folks tell me that there is a 5- to 6-year backlog at the Office of Rental Housing Preservation, which is responsible for providing the incentives that are in law, and obviously, that is the basis of the problem here, in that the obligations of the contract, the obligation of the U.S. Government is not behind upheld. I know that contract may have been written 30 years ago, but the fact is that we have an obligation to uphold our part of it, and the courts have said that.

So I guess my question is: how are we going to solve this problem? Also I want you to know that I want to be part of the solution, and I will be glad to bring you to some of those frustrated renters and frustrated owners.

GUARANTEED MULTI-FAMILY HOUSING

Mr. Dorr. Well, one of the ways in which we are attempting to alleviate the shortfall of units, if there are any, in conjunction with the demands that we have for prepayment and equity requests, is through our 538 guarantee program. Last year there were a hundred million dollars in loan levels committed to that program. It appears that it will all be obligated. There is \$100 million for that in this year's budget again.

That program was new and seems to be working fairly well. We think that is one way in which we can begin to alleviate some of this concern.

Mr. Boyd. And that is the 538?

Mr. Dorr. It is called the 538 program. It is a multi-family guaranteed housing program. It is one in which we provide guarantees to commercial or third-party lenders for portions of these projects, that they then provide affordable housing or multiple housing capacity to tenants who are looking for that sort of housing.

Mr. Boyd. Mr. Under Secretary, will you make a commitment to me that none of our constituents will be thrown out of their housing because of Government action, and that we will make sure that we do what we have to do to solve this problem?

Mr. Dorr. We will do everything we can possibly do to make sure that something like this does not happen.

Mr. Boyd. Thank you, Mr. Chairman.

Mr. Bonilla. Thank you, Mr. Boyd. Did you have any additional questions?

Mr. Boyd. No.

Mr. Bonilla. Thank you very much. At this time I will yield to Ms. Kaptur to conclude her round of questions.

Ms. Kaptur. Thank you, Mr. Chairman.

POWER PRODUCTION FACILITIES

I want to turn to the energy issue again. I have been studying Ohio and looking at the Rural Utilities Service and the power production of many of our farmer-owned facilities. And under the laws of our State, for example, if a city wanted to procure power from rural production, Ohio law prohibits that. They literally divide up the territory. And one of the questions I have of you is as you look across your programs, to what extent is rural America building new power production facilities, particularly when they are owned by farmers? And to what extent under existing law that you are aware of can rural power suppliers sell into urban areas and still remain eligible for Rural Utilities Service financing?

Mr. Dorr. Let me take a crack at that, because that is a very intriguing question. We set about developing the rules for section 9006 of the Farm Bill Energy Title, in conjunction with correlating the expectation that we would work with other USDA agencies and across Government agencies involving EPA, DOE, NRCS and others. We needed to make sure that we could leverage our funds with other funds similarly designed in terms of developing renewable and green energy sources throughout rural America.

I gave them two additional specific charges. I said, number one, please take a look at doing something that we typically have not done in production agriculture and in agricultural programs in this area, and that is, look at ways in which we can stimulate the kind of tax incentives necessary to enable these programs to grow.

Historically, we look at farm and other program payments. Outside of the ethanol tax credits and exemption, and outside of investment tax credits, we typically in agriculture do not look toward tax incentive programs that may in fact enable us

to enhance these programs.

And secondly, I said, these alternative energy sources that we produce through this program will essentially result in being electrical in nature, and that is where the demand growth is. Base generation transmission programs historically have State regulations that sometimes make it difficult for the short distributive source of electric generation capacity to get incorporated into the grid.

Then I urged them to look at any way to create hooks so that these programs, when they were implemented in a variety of states, had enhancements to make it more likely or more feasible that they could be used economically and cost effectively in the short grid distributive system. This is particularly important from the standpoint of dumping into a municipal utility or into a storage facility, where this would mitigate some of the peak demand issues.

So it is clearly our intent to look within the framework of what this administration can and wishes to do, as well as what resources are provided by Congress, at every avenue that can be proactive and stimulate the development of these new opportunities in cost effective ways. That is something that we are taking very seriously.

Ms. Kaptur. Mr. Secretary, I would offer my region of America as a prime example of where to test this theory. We have among the 10 highest cost regions of the United States. It is our chief disincentive to job growth, and whether you are trying to power your greenhouse, where 60 percent of your cost is fuel, or whether you are running an automotive plant, or where you are trying to pay your heating bill, we pay 12 or more a kilowatt hour. I defy you to find any rural electric around our country that pays 12 cents a kilowatt hour. And so we are trying to find a way to get competitive power into our region, and to the extent that you have any work going on in that arena, believe me, we are more than interested. And we do have rural power that backs up up against us. We just cannot get it.

Thank you very much, and thanks, Mr. Chairman.

Mr. Dorr. Thank you.

Mr. Bonilla. Thank you, Ms. Kaptur.

Mr. Latham, nothing further?

Mr. Latham. Nothing.

Mr. Bonilla. I want to thank you all for appearing here today and helping us with our process of putting our bill together.

Ms. Kaptur. Mr. Chairman?

Mr. Bonilla. Ms. Kaptur?

HAYNET

Ms. Kaptur. I am so sorry. I just wanted to compliment the department. This is a bit off the subject. I do not know who did this. It is called HayNet, and frankly, I do not even know if it is in the FSA arena, and so it is not exactly your bag, but I have to tell you, this is exactly the kind of information that is user friendly to the farm community and those beyond it. It literally lists--this is my own State for example--people needing hay, and then who has hay available. And it is

just such a user friendly method, I am sure you can apply the same concept to people who want to sell vegetables into our school lunch programs. I am sure you can use it on power providers that can serve areas beyond their immediate. And I just say, this is an example of USDA trying to be user friendly. I would like to submit it to the record as an example of the agency doing something really right.

And I thank you, Mr. Chairman, for allowing me to insert this in the record.

Mr. Bonilla. Thank you for bringing that up, Ms. Kaptur, and without objection, that will be entered into the record.

[The information follows:]

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Mr. Bonilla. And to all of you, thank you for the good work you do. Keep it up and we will be working with you as we put our bill together.

The subcommittee will stand adjourned until tomorrow at 9:30.

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